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Equity Crowdfunding: What about the Crowd?

CAMILLA CIVARDI | DEPARTMENT OF BUSINESS ADMINISTRATION

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Equity Crowdfunding: What about the Crowd?

Equity Crowdfunding has emerged within the start-up financing landscape as a symbol of democracy, offering start-ups and more established firms the opportunity to raise capital from a heterogenous crowd of investors. This thesis explores the journey of that crowd, charting the contours of their investment process.

Is it a purely financial motivation that drives this vast spectrum of investors towards injecting their capital into high-risk ventures, or is there more to it? This study further aims to uncover the behavioural tendencies exhibited by the crowd, examining the extent of their investment satisfaction. Moreover, it examines the challenges they face, pondering whether such hurdles could one day drive them away from equity crowdfunding.

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Equity Crowdfunding: What about the Crowd?

Equity Crowdfunding: What about the Crowd?

Camilla Civardi

LUND UNIVERSITY

DOCTORAL DISSERTATION

for the degree of Doctor of Philosophy (PhD) by due permission of the Department of Business Administration, School of Economics and Management, Lund University, Sweden.

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Abstract:

This thesis is about equity crowdfunding (ECF), and the crowd that makes its existence possible. ECF is a financing method for start-ups and firms that need equity capital to grow their businesses. During an “equity crowdfunding campaign”, entrepreneurs raise funds from a diverse crowd on an online platform, offering shares in return.

While the existing ECF literature primarily focuses on entrepreneurs and their capital needs, my research shifts the spotlight to the crowd and their needs. I investigate the kinds of investment motives that drive these investors. Are their motivations purely financial and thus “utilitarian”? The profitability of ECF remains uncertain for the crowd. Hence, do other reasons influence their investment choices?

Furthermore, the crowd’s journey does not conclude once they have successfully funded the entrepreneur during the campaign. I thus ask: What happens to the crowd after the campaign concludes? How can we characterise their behaviours? Are they merely passive providers, or do they become active shareholders? If the latter, in what capacities?
My study concludes by examining an interesting theme that has been largely overlooked: the challenges faced by the crowd throughout their investment journey.

The analysis employs a mixed-methods design, commencing with interviews, followed by a survey, and concluding with a netnographic analysis of forum data. By means of this diverse methodology and set of data sources, I aim to enhance our understanding of ECF investors and their experiences. While ECF can support entrepreneurship, it is of fundamental importance to understand whether the crowd is satisfied with their investment journey.

Key words: Equity Crowdfunding, Investment Motivation, Investment Behaviour, Investment Satisfaction, Behavioural Finance, Shareholder Activism, Start-up

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MADE IN SWEDEN

To Kalyan,
for always steering me back to what matters.

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1. Introduction

1.1 Setting the Scene

This study focuses on a growing source of start-up financing: crowdfunding. Crowdfunding (Pelizzon, Riedel & Tasca, 2016) is a relatively recent funding source, which broadly "involves an open call, mostly through the Internet, for the provision of financial resources either in the form of donation or in exchange for the future product or some form of reward to support initiatives for specific purposes" (Belleflamme, Lambert & Schwienbacher, 2014, p.588). This definition stresses the fact that there are different forms of crowdfunding, which past literature has mainly identified as: donation, reward, lending, and equity crowdfunding (Lehner, Grabmann & Ennsgraber, 2015; Mollick, 2014). These four variants are differentiated in terms of what those asking for funds offer in return for the capital received. This research concentrates on equity crowdfunding.

The equity crowdfunding process involves entrepreneurs showcasing their start-up projects via an online platform, providing a description of the product/services that the start-up offers, the team, and financial projections (Ahlers et al., 2015; Hornuf & Schwienbacher, 2016), to attract individuals interested in investing in their ventures. Hence, the counterpart is represented by the crowd: the potential investors. These crowd-investors, a heterogeneous blend of individuals of varied ages, nationalities, and educational and professional backgrounds, thus engage in the process by committing their capital to the start-ups, subsequently becoming shareholders or "equity crowdfunders" (Zhang et al., 2018). The shares obtained by the crowd are retained until an exit opportunity arises, such as an initial public offering (IPO), acquisition, buy-out, private trading, or liquidation (Lin, 2017). A few platforms facilitate share trading through secondary markets, as an alternative exit strategy (Lukkarinen & Schwienbacher, 2023; Rossi, Vismara & Meoli, 2019).

Navigating the equity crowdfunding landscape can prove to be a relatively direct process from an entrepreneurial perspective. Conversely, for investors, engagement with an equity crowdfunding platform presents immediate challenges of information asymmetry (Leland & Pyle, 1977). Entrepreneurs have superior "inside" information regarding the industry, past performance of their company, risks, and other insights that they may not fully disclose to investors (Schwienbacher & Larralde, 2012). Thus, the scenario seems tilted in favour of the entrepreneurs, who dictate start-up valuation, fundraising targets, and share pricing (Collins & Pierrakis, 2012; Hornuf, Schilling & Schwienbacher, 2020). This ability to independently price equity proves advantageous for entrepreneurs in crowdfunding contexts because it circumvents the negotiation phase that is necessary when searching for other sources of equity financing (Collins & Pierrakis, 2012). For example, 50% of business angels' deals fail because the angel and the entrepreneur cannot agree on the price of the equity sold (Mason & Harrison, 2002b). Equity crowdfunded start-ups tend to have higher valuations compared to those funded by professional investors like venture capitalists or business angels (Brown et al., 2018), while entrepreneurs also enjoy additional benefits, including very little reduction in autonomy and control, thanks to the dispersed ownership structure (Macht & Weatherston, 2014).

Investors must place considerable trust in the entrepreneurs' competence and integrity to grow the start-up and act in the investors' interests (Howorth & Moro, 2006; Kang et al., 2016; Massaro et al., 2019; Mayer, Davis & Schoorman, 1995). While entrepreneurs can provide exit plans during the campaign (Ahlers et al., 2015; Johan & Zhang, 2020), the unpredictable nature of start-ups (Cassar, 2004), their low probabilities of success (Collins & Pierrakis, 2012), and illiquidity due to the lack of secondary markets for trading shares post-campaign (Rossi, Vismara & Meoli, 2019), amplify the risks. Furthermore, profitable start-ups frequently prioritise growth reinvestment over dividend distribution (Vismara, 2018). The post-campaign period raises agency problems, with entrepreneurs retaining broad control over the use of the investments made by the crowd, prompting shareholders' concerns over potential misuse of power (Jensen, 1996; Jensen & Meckling, 1976; Ross, 1973). Although investors may require contractual safeguards, platforms often use sub-optimal contracts which put the crowd at a disadvantage with respect to voting rights, dividends, and dilution during subsequent financing rounds (Rossi, Vismara & Meoli, 2019; Schwienbacher, 2019).

Despite the risks and issues associated with equity crowdfunding, investors have shown a sustained interest in this form of investment, encouraged by regulatory shifts in countries that previously barred non-professional investors from participating (e.g. Title III of the Jobs Act in the US). An illustrative case of its economic potential is reflected in Fundly's (2020) report, showing that crowdfunded firms had generated \$65 billion in revenue up until 2020. The UK's scene exemplifies the sector's substantial growth, with investments skyrocketing from £0.31 billion in 2011 to a record of £9.41 billion by 2019 (Skingle, 2019; Zhang et al., 2017). This upward trend continued into 2020, with countries like Italy, Germany, and France also showing growth (CrowdfundingHub, 2021). These numbers suggest that equity crowdfunding has attracted a significant number of investors, who have financed numerous campaigns.

If we consider both the entrepreneurs' and the investors' interests in the transaction, the campaign fulfils the entrepreneurial purpose of raising money, while building awareness and support for the start-up (Brown, Mawson & Rowe, 2019), but the motivations leading the crowd to invest are less obvious. Much of the literature on crowdfunding, particularly equity crowdfunding, has centred around the entrepreneur's perspective (Mochkabadi & Volkmann, 2020; Schwienbacher, 2019; Wald, Holmesland & Efrat, 2019). These studies have focused on identifying the variables leading to campaign success or how entrepreneurs can attract investment (Ahlers et al., 2015; Lukkarinen et al., 2016; Mazzocchini & Lucarelli, 2023; Moritz, Block & Lutz, 2015; Piva & Rossi-Lamastra, 2018; Ralcheva & Roosenboom, 2020; Vismara, 2016). Nevertheless, given that both start-ups and investors are involved in equity crowdfunding, defining "equity crowdfunding success" solely in terms of "campaign success" based on funds raised, presents a skewed narrative (Vanacker, Vismara & Walthoff-Borm, 2019). For this reason, this research moves the focus onto the crowd.

As both start-ups and investors constitute key players in the crowdfunding ecosystem, a balanced examination is warranted. For instance, the crowd's post-investment experience, which is often overshadowed by the immediate excitement of a campaign's conclusion, is a rich yet underexplored research domain (Katzenmeier et al., 2019; Mochkabadi & Volkmann, 2020; Schwienbacher, 2019). This paves the way for further inquiries. What entices equity crowdfunders to invest in the face of numerous uncertainties? And, after the final curtain falls on the campaign, what does the aftermath look like for these investors? Are they active participants in their investments or primarily passive financial contributors (Block et al., 2018)? How satisfied are they with their investments? Delving into these areas will enable a comprehensive understanding of the equity crowdfunding phenomenon from the crowd's perspective.

1.2 Unravelling the Crowd: Motivations, Behaviours, Returns and Satisfaction

Due to the financial nature of equity crowdfunding investments, past literature has mainly considered the crowd as driven by the search for financial returns. The literature on the subject is divided between studies taking it for granted that the reason for investment is to obtain a financial return (Block et al., 2018; Hornuf & Schwienbacher, 2018), and other studies reporting varied empirical findings (Cholakova & Clarysse, 2015; Feola et al., 2019; Katzenmeier et al., 2019).

Works by Cholakova and Clarysse (2015), along with Estrin, Gozman and Khavul (2018), and Zhang et al. (2017), posit that the pursuit of financial returns and investment portfolio diversification drive equity crowdfunding investments. Echoing this perspective, Katzenmeier et al. (2019) also identify equity crowdfunders' main motivation as financial, but they also acknowledge the influence of personal enjoyment and identification. In contrast, Feola et al. (2019) argue that investors are more heterogeneous than we assume, and that they assign diverse levels of importance to investment drivers related to confidence in the venture, platform and campaign features, and finally ethical and social drivers, which seem to imply that people have varying investment motives. To conclude, Mochkabadi and Volkmann (2020) argue that we still do not have a clear idea of the motivational patterns of equity crowdfunders, due to the diversity of findings on the importance of non-financial motives, and call for additional research on the topic.

Similarly, there is a lack of clarity regarding the specific types of behaviour embraced by the crowd subsequent to making an investment. Essentially, the crowd faces a choice between assuming an active role or maintaining a passive stance throughout the investment process (Hornuf, Schilling & Schwienbacher, 2020). The existing body of literature presents divergent perspectives on this matter. Other equity providers, such as venture capitalists or business angels, are notoriously involved with the start-up after the investment, providing value through activities such as sharing operational and strategic experience, networking and marketing capabilities, monitoring the business, etc. (Cumming, Fleming & Suchard, 2005; Politis, 2008; Vaidyanathan, Vaidyanathan & Wadhwa, 2019). In contrast, due to their comparatively low investment rights, equity crowdfunding investors have largely been described as unsophisticated, passive resource providers (Blaseg, Cumming & Koetter, 2021; Block et al., 2018). However, a few studies have revealed instances where investors offered advice or professional help through financial modelling (estimation of financial performances and valuation) and networking, such as acting as brand ambassadors on social media or introducing new investors to the start-up, indicating the potential for more active involvement (Brown, Mawson & Rowe, 2019; Di Pietro, Prencipe & Majchrzak, 2018; Wald, Holmesland & Efrat, 2019). This possibility warrants further exploration to determine the pervasiveness of such behaviours and whether they correlate with specific investment motivations (Mochkabadi & Volkmann, 2020).

Investment motivations and post-investment behaviours have emerged as critical topics in equity crowdfunding, because studies have shown that investors in equity crowdfunded start-ups seem not to receive sufficient financial remuneration for their investments (Beauhurst, 2020; Eldridge, Nisar & Torchia, 2021; Hornuf, Schmitt & Stenzhorn, 2018; Signori & Vismara, 2018; Walthoff-Borm, Vanacker & Collewaert, 2018). Despite its decade-long presence, the equity crowdfunding market has seen few start-ups achieve profitable exits (Estrin, Gozman & Khavul, 2018). The UK's leading crowdfunding platforms, Crowdcube and Seedrs, have reported only a small fraction of start-ups providing dividends or exits for investors (Alois, 2020; Crowdcube, 2020). This fact is significant, because the UK dominates the European crowdfunding market (Ralcheva & Roosenboom, 2020), accounting for 68% of the entire market (Schmidt, 2019), with Crowdcube and Seedrs controlling over 90% of the UK portion (Beauhurst, 2020).

The literature on equity crowdfunding performance has primarily focused on follow-up funding and failure rates, which have been relatively low in the past. Nonetheless, recent reports indicate that crowdfunded start-ups have higher death rates, lower exit rates, and higher rates of stagnation than venture-capitalist-backed companies (Beauhurst, 2020). Some equity crowdfunded firms have the potential to become successful in the future; however, many stagnate, which makes it unclear whether they are still active or mainly composed of "living dead" or "empty shells" (Cumming, Vanacker & Zahra, 2021). These results are not surprising, however, given that equity providers such as venture capitalists or business angels possess greater contractual power. Their agreements with entrepreneurs include covenants such as anti-dilution, tag-along, and drag-along rights, as well as staged finance provisions and liquidation preferences, guaranteeing that they will be prioritised during capital distribution (Hornuf & Schmitt, 2016; Isaksson et al., 2004; Kaplan & Stromberg, 2003). In contrast, "the crowd usually buys profit participating certificates without any voting rights that rank last in case of bankruptcy"

(Hornuf & Schwienbacher, 2016, p.8). This condition can vary according to the country of reference or the shareholding agreement.

To conclude, there remains ambiguity surrounding how the crowd evaluates the performance of their equity crowdfunding investments, and whether they deem the investment worth the risks taken (Cumming, Vanacker & Zahra, 2021). On this subject, it needs to be asked: to what extent is the crowd's perception and dis/satisfaction with equity crowdfunding influenced by personal investment motives or their behaviours and experiences? As previous discussions suggest, if the investors' motivations were solely driven by financial returns (Block et al., 2018; Hornuf & Schwienbacher, 2018), dissatisfaction may run high, potentially deterring future investment activities. Conversely, if other, non-financial motives also played a substantial role, or if the crowd derived value from interactions with the start-up or within the investor community following the investment (Brown, Mawson & Rowe, 2019; Di Pietro, Prencipe & Majchrzak, 2018; Feola et al., 2019; Lukkarinen, Wallenius & Seppälä, 2018; Wald, Holmesland & Efrat, 2019), then equity crowdfunding could continue attracting investors in the long run, hence growing as a financial method.

As the equity crowdfunding industry matures, it necessitates new assessments that incorporate investors' experiences into the narrative (Lukkarinen & Schwienbacher, 2023). Previous research has accentuated the need for in-depth exploration of investor behaviours, motives, and the results of equity crowdfunding, moving away from an entrepreneurial-centric view of the phenomenon (Mochkabadi & Volkmann, 2020; Schwienbacher, 2019).

1.3 Research Objective

To address the identified needs, this study is driven by one holistic research question that seeks to delve into three central themes: the crowd's motivations for investing, their investment behaviours, and how they evaluate their experiences with equity crowdfunding, encompassing both the satisfaction and challenges associated with their investment. The research question below builds on past findings and aims to develop an improved understanding of the overall experience of being an equity crowdfunder:

What investment motives and behaviours characterise the crowd and how do they interrelate with investors' satisfaction from equity crowdfunding?

To approach this question, the study employs a sequential mixed-methods framework, starting with a quantitative study, followed by a qualitative one (Tashakkori & Teddlie, 2010). The data collection is based exclusively on equity crowdfunders active in the United Kingdom, given its dominance in the equity crowdfunding landscape compared to its European counterparts, as previously highlighted.

The initial empirical study used surveys to collect quantitative data. In this context, the research question serves a dual purpose. Firstly, it aims to uncover the underlying investment motives of equity crowdfunders and their subsequent behaviour after a successful crowdfunding campaign. The second aim is to explore the intersection of these two variables and their effect on the satisfaction that investors have derived from their experiences of equity crowdfunding thus far. This phase specifically examines overall investment satisfaction, alongside the crowd's intentions to continue participating in equity crowdfunding in the future (Cumming, Vanacker & Zahra, 2021).

The study explores investors' motivations by leveraging Statman's (2017) behavioural finance investment motivation framework, which categorises investment motives into benefits that are utilitarian (what does the investment do for me and my wallet?), emotional (how does the investment make me feel?), or expressive (what does the investment say about me to others and myself?). This framework, also used by Wallmeroth (2019) in German crowd-investing, lends itself well to this research context due to its categorisation of investment motives and the premise that investors are non-complete rational actors who face information asymmetry (Statman, 2014). The analysis also capitalises on previous studies exploring the investment motives of other start-up equity providers, such as business angels (Landström, 1998; Wetzel, 1983). In fact, given the risky nature of equity crowdfunding and the lack of financial returns outlined, studies on investment motives of other start-up investors are considered to be relevant literature antecedents, and have often been used in past equity crowdfunding literature as a starting point (Feola et al., 2019; Lukkarinen, 2019).

The research question also seeks to assess whether the crowd is destined to remain passive throughout the investment or whether investors also assume a proactive role towards the start-up (Hornuf, Schilling & Schwienbacher, 2020). The analysis is framed by information asymmetry, agency theory, and the practice of shareholder activism, and once again makes use of past studies on both equity crowdfunding and other start-up equity providers (Aernoudt & Erikson, 2002; Brown et al., 2018; Di Pietro, Prencipe & Majchrzak, 2018; Gompers & Lerner, 2001; Mason & Harrison, 1996; Moritz, Block & Lutz, 2015; Wald, Holmesland & Efrat, 2019). The few examples of active behaviours in the equity crowdfunding literature include developing forms of communication among the investors themselves, the platform, and the entrepreneur, and trying to participate in the entrepreneurial process (Di Pietro, Prencipe & Majchrzak, 2018).

The research is then expanded in scope by means of a qualitative study conducting a thematic analysis of netnographic data (Braun & Clarke, 2006; Kozinets & Gambetti, 2021): online comments from selected threads on a UK internet forum used by equity crowdfunders. This empirical analysis strives to sustain and enrich the findings procured from the survey, by looking at data sourced from an alternative, but related, context, in the light of a "complementary" research design (Onwuegbuzie & Combs, 2015). Notably, a survey analysis requires the researcher to provide respondents with the survey questions and possible answers. In contrast, netnography provides an opportunity to observe unadulterated, naturally unfolding data without any form of intervention from the researcher (Bertilsson, 2014). As a consequence, while the first analysis focuses on the theme of satisfaction with the overall equity crowdfunding investment experience had by the crowd at the time, the second analysis looks at the problems or challenges faced by the crowd in their role of start-up investors, a topic almost entirely ignored by past literature. Furthermore, the evidence of investment behaviours that was found covers both the campaign and post-campaign phase.

In conclusion, this thesis aims to map the crowd's entire experience of equity crowdfunding. Despite equity crowdfunding being a recent development, its growth, even during the Covid-19 pandemic (Vu & Christian, 2023), demonstrates its potential as a viable alternative to offline financial providers (e.g. banks, venture capital funds, or business angels), which have frequently fallen short in sustaining start-ups during economic downturns (Lehner, Grabmann & Ennsgraber, 2015; Wang et al., 2019). Equity crowdfunding represents a realistic hope for entrepreneurs looking to launch and expand their companies. Yet, the rewards for both investors and society at large hinge on the viability of the businesses established (Cumming, Vanacker & Zahra, 2021). Therefore, it is vital for the continuing success of this source of finance to ensure that both entrepreneurs and policymakers understand the complex web of investor motivations, behaviours, and experiences, as well as the potential roadblocks encountered along the investment journey.

1.4 Research Contributions

The findings of this thesis culminate in the development of a framework that explains the investment motives, behaviours, satisfaction, and challenges faced by the crowd during their investment activity. This framework is derived from integrating the outcomes of both quantitative and qualitative analyses through a mixed-methods approach.

The findings uncover a diverse array of investment motives, informed by Statman's (2017) investment motivation framework from behavioural finance, and hence divided into: utilitarian, expressive, and emotional motives. Notably, the findings expand upon Statman's classification by exploring the nuanced nature of emotional motives. These range from a desire for emotional connection with the funded start-up, to the thrill stemming from uncertain investment outcomes. Furthermore, the study suggests that expressive motives potentially reinforce the utilitarian and emotional motive types.

This research also offers insights into investor behaviours, both during and after crowdfunding campaigns. Specifically, the quantitative analysis adopts the concept of shareholder activism derived from agency theory, but in the form of value-added activities relevant to the context of equity crowdfunding (Bottazzi, Da & Hellmann, 2008; Ryan & Schneider, 2002). Post-investment behaviours are categorised as passive (limited post-investment engagement or simply awaiting an exit), active-social (emphasising relationship building and networking with start-ups), or active-professional (akin to the behaviours typical of seasoned investors, such as offering business expertise or participating on advisory boards).

In the quantitative analysis, it is shown that investment motives indirectly relate to the crowd's investment satisfaction, channelled through post-investment behaviours, which have a direct relationship with satisfaction. The qualitative analysis enriches these findings, offering deeper insights into investment motives, campaign and post-campaign behaviours, and the challenges encountered by the crowd and their interrelationships. Among the outlined challenges are issues such as insufficient communication by the platform or the entrepreneur, and a lack of control over and monetisation of investments. Additionally, the developed framework presents empirically testable propositions concerning these challenges and the potential fulfilment of the crowd's initial investment motives, thus paving the way for subsequent research.

Equity crowdfunding provides entrepreneurs with financial resources and control, as well as the freedom to decide repayment terms. Past literature has mostly focused on the benefits for entrepreneurs, stating the positive effect of helping to bridge the financial gap faced by start-ups (Lehner, Grabmann & Ennsgraber, 2015; Wang et al., 2019). However, it has failed to fully explore the psychology of the crowd, including potential challenges during the post-campaign phase and how their experiences may shape future investment decisions (Cumming, Vanacker & Zahra, 2021).

This thesis offers novel insights into equity crowdfunding by challenging the prevailing notion that investors are purely financially driven, and showcasing their diverse motivations. It refutes the image of the crowd as mere passive financiers, emphasising their potentially active involvement and the necessity of such involvement for true investment satisfaction. Furthermore, the study breaks new ground by focusing on the challenges faced by crowd investors, rather than primarily examining entrepreneurs. By highlighting the importance of nurturing community, it adds to the literature by emphasising the relational aspects of equity crowdfunding.

From a practical standpoint, this research provides new guidance for crowdfunding platforms and start-ups, suggesting the use of active channels for consistent engagement and communication with investors. By recognising the investor's need for involvement and community, start-ups can redesign their engagement strategies, ensuring that they receive not just funding, but also sustained support and positive word of mouth. The emphasis on understanding the challenges faced by investors reshapes the approach towards investor relations, making it more holistic and forward-looking.

Overall, this work begins to fill the current literature gaps while also offering tangible strategies for both entrepreneurs and platforms, laying the foundations for future research and best practices in understanding the human dimensions of equity crowdfunding.

1.5 Thesis Outline

This thesis consists of ten main chapters, commencing with this introduction to the topic object of the study and its research objectives, as delineated above.

Chapters 2, 3, and 4 present a narrative literature review. Chapter 2 provides the first part of this literature review, which investigates the context that gave birth to equity crowdfunding, outlining its potential importance to the panorama of seed investing. The chapter proceeds with an overview of the three main actors involved in the equity crowdfunding process: entrepreneurs or capital seekers, equity crowdfunding platforms or intermediaries, and finally equity crowdfunding investors, or capital providers. The next two chapters, 3 and 4, form the basis for the developed conceptual framework. Chapter 3 continues the literature review by introducing behavioural finance and Statman's (2017) investment motives framework. This literature is used to contextualise past studies on the investment motivations of equity crowdfunders and other equity providers. In chapter 4, the focus shifts to the experiences of the crowd itself and their opportunities for action. Information asymmetry, agency theory, and the practice of shareholder activism are introduced, together with studies regarding the value-adding role of equity providers such as venture capitalists and business angels. These studies are used as a literature antecedent to those regarding the behaviour of the crowd, which is differentiated into passive and active (Schwienbacher & Larralde, 2012).

Chapter 5 provides an overview of the initial research model and hypotheses, while Chapter 6 outlines the methodology used in the study, which is a mixed-methods approach that combines surveys and netnography to complement each other. Chapter 7 presents an analysis of the survey data, starting with a descriptive analysis, followed by a factor analysis, multiple regression, and general structural equation modelling of the whole sample, and sub-samples. This chapter also presents and discusses the results of the quantitative analysis. Chapter 8 shifts the focus to the qualitative study, presenting the thematic analysis of the netnographic data gathered and its findings. Chapter 9 provides a synthesis of the results obtained from both the quantitative and qualitative studies and the derivation of the final framework. Finally, Chapter 10 discusses the implications of the study, addresses its contributions to theory and practice, considers its limitations, and suggests future research directions.

2. Equity Crowdfunding: The Actors Involved

The introductory section of this literature review chapter describes an investigation into the context that led to the emergence of equity crowdfunding. The discussion highlights its potential significance to the landscape of seed investing, while presenting the four crowdfunding forms and defining equity crowdfunding. The subsequent section turns to an examination of the three distinct groups of actors participating in the equity crowdfunding process; namely, capital seekers (i.e., entrepreneurs or start-ups), intermediaries (i.e., equity crowdfunding platforms), and capital providers (i.e., crowd-investors or shareholders). In doing so, the review provides a comprehensive understanding of how each of these actors may perceive and define success within the context of equity crowdfunding.

2.1 Start-ups' Quest for Capital and Crowdfunding

The phenomenon of entrepreneurship is now universally considered to be a driver of change and progress, "a solution to a range of societal problems" (Landström, 2020, p.67) worthy of being researched and understood. Start-ups have been recognised as major factors influencing job creation and countries' development (Yasar, 2021).

For example, a report from the Kauffman Foundation by Kane (2010) shows that, without start-ups, the net job growth of the US economy would be zero, a fact verified with data tracing since 1977. In addition, the report shows that the rate of jobs created by start-ups during recessions is stable, while established firms remain extremely sensitive to economic cycles. The European Commission (2020) considers SMEs (Small and Medium Enterprises) and entrepreneurship to be the keys to economic growth, job creation, and innovation in Europe. Needless to say, start-ups need funding to grow and become the coveted backbone of a country's economy. Financial capital is the necessary ingredient for growth and entrepreneurial survival (Florin, Lubatkin & Schulze, 2003). However, it is not easy to secure.

The literature has often discussed the problems that start-ups encounter in accessing early-stage financing (Ang, 1992; Berger & Udell, 1998; Cassar, 2004). In contrast, established businesses are more likely to secure traditional financial resources, such as bank financing, given their reduced opacity and more established track record (Berger & Udell, 1998).

These problems were exacerbated by the 2008 financial crisis, as banks reduced their lending activity, which negatively affected the flow of capital to those who needed it to create jobs and businesses (Block et al., 2018; Pelizzon, Riedel & Tasca, 2016). On the other hand, the public's mistrust of banks is also likely to have acted as a trigger driving individuals towards crowdfunding (peer-to-peer lending), rather than bank deposits (Saiedi et al., 2020). Entrepreneurial ideas were labelled as too risky, innovative, or complex by the banking system, and this situation led to the squandering of promising ideas and innovations, damaging the economic recovery (Moysidou, 2017). Entrepreneurs also faced difficulties in convincing traditional equity investors, such as business angels or venture capital funds, to pledge capital (Belleflamme, Lambert & Schwienbacher, 2014), so that the funding cycle of a company is no longer as straightforward as it once was.

According to the literature, the typical financing cycle for a start-up traditionally begins with the entrepreneur securing funds from the three "Fs" (friends, family, and "fools"), followed by business angels, venture capital funds (VCs), and, finally, public listing through IPO (Bellavitis et al., 2017; Paschen, 2017). While there are many variations in the real world, entrepreneurs would reach their initial milestones (e.g. the development of a prototype, initial client base, and revenues) thanks to the first financing obtained from close ties (3Fs), and would subsequently look for angel financing (Bellavitis et al., 2017). Business angels are "accredited individuals who invest their own personal capital into young ventures". They often are/were entrepreneurs themselves; hence, they provide not only financial capital to the investee firms, but also guidance related to their specific expertise (Drover et al., 2017). Thanks to business angels, the venture would grow, and reach a size that would appeal to institutional investors such as VCs.

Business angels typically invest a maximum of £100,000 per deal in the UK (the investment size reaches $250,000 in the US), while the average VC investment is over £1 million ($1.4m in the US) (Mason & Harrison, 2001). Venture capital funds are "independently managed, dedicated pools of capital that focus on equity or equity-linked investments in privately held, high-growth companies" (Lerner & Watson, 2008, p.2), so VCs manage the funds of institutions and individuals, and chase high returns. Being able to raise capital through VCs is considered to be a great entrepreneurial achievement, which can help in obtaining bank financing or reaching the IPO stage in the future (Bonini & Capizzi, 2019). In fact, these professional investors have very strict selection criteria and negotiating practices, which makes it particularly challenging to receive funds from them (Butticè & Vismara, 2022). In addition, the entrepreneur may face limited independence and risk losing control of their firm when dealing with professional investors (Feola et al., 2019), particularly in the case of venture capital funds.

These considerations, coupled with the aftermath of the economic crisis, led to difficulties in obtaining finance through common sources. These are considered some of the causes that led to the creation of a novel financing segment, which involves many players as incubators, accelerators, and seed funds of various kinds, and includes crowdfunding, often referred to as a democratic source of finance (Bonini & Capizzi, 2019; Bruton et al., 2015; Harrison & Baldock, 2015; Shih & Aaboen, 2019). In fact, "anyone with access to internet can potentially raise funds for a project of their choice from anyone else with access to internet" (Shneor, Zhao & Flåten, 2020, p.166). Crowdfunding comes in four different forms, encompassing donation, reward, lending, and equity crowdfunding. Donation crowdfunding involves the crowd contributing to a project with the purpose of financing charity or non-profit-related programmes (Parhankangas, Mason & Landström, 2019). Reward crowdfunding entails funders receiving a reward for their financing act. It mainly treats crowdfunders as early customers, by promising to deliver a product to them that will be realised thanks to their funding at an earlier date, a competitive price, or with additional benefits (Mollick, 2014). Lending crowdfunding requires funding to be offered as a loan, with the expectation of receiving interest on the capital invested (Mollick, 2014; Pelizzon, Riedel & Tasca, 2016). Finally, Ahlers et al. (2015, p.1) describe equity crowdfunding as: "a form of financing in which entrepreneurs make an open call to sell a specified amount of equity or bond-like shares in a company on the Internet, hoping to attract a large group of investors". Those who decide to pledge funds will therefore become shareholders of the start-up, until an opportunity for exit is provided. This definition of equity crowdfunding given by Ahlers et al. (2015) covers most of the aspects of such crowdfunding, because it considers the roles of entrepreneurs, "the Internet" (the context of the financing method), and the investors. Other definitions of equity crowdfunding focus on different aspects.

For example, Ibrahim (2015, p.569) considers the importance of crowdfunding platforms and specifies that equity crowdfunding involves the use of "a virtual platform to match investors and entrepreneurs". Hornuf and Schwienbacher (2017, p.556) emphasise the role of the investors, who, differently from other crowdfunding forms, such as the more established reward crowdfunding, "do not receive perks or engage in pre-purchase of the product, but rather participate in the future cash flows of a firm". As a consequence, equity crowdfunding can be considered the riskiest form of crowdfunding, because it "offers investors an uncertain financial return at some unknown future date with a non-zero chance of losing everything" (Coakley & Lazos, 2021, p.342).

Building upon these observations, equity crowdfunding does present similarities with other crowdfunding forms: donation, reward, and lending crowdfunding (Cholakova & Clarysse, 2015). However, the parallel ends when considering the nature of equity crowdfunding, because the equity crowd is the only one to obtain an ownership stake in the investee company in return for the contributions made (Drover, Wood & Zacharakis, 2017).

Delving deeper into the structure of equity crowdfunding, we encounter three main actors: the capital seeker (start-up/entrepreneur), the intermediary (equity crowdfunding platform), and the capital providers (crowd-investors/shareholders).

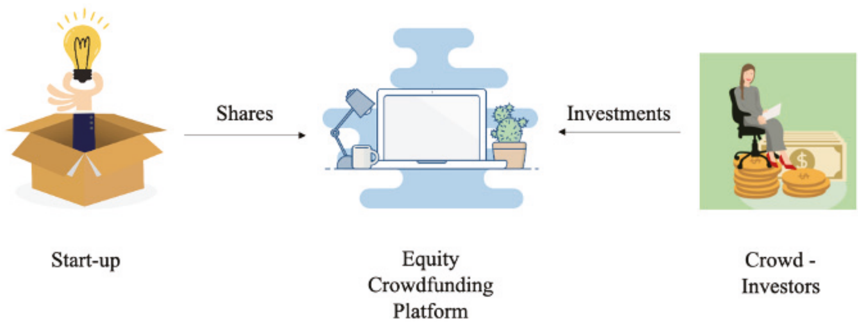


Figure 1.
Schematisation of the equity crowdfunding investment process.

Each type of actor has a vested interest in the success of the equity crowdfunding process; however, the ways in which each of them may define success in this context present important differences. Such diversity represents the starting point for this thesis, and was the main reason behind the decision to focus the research on the capital providers (crowd-investors/shareholders).

The following sections explore the relevant literature pertaining to the three actors, and present them in the light of how they define “success” in equity crowdfunding.

2.2 The Capital Seeker: The Start-Up/Entrepreneur

Traditionally, entrepreneurial finance research originated in peer-reviewed academic entrepreneurial journals, and the majority of papers published on the topic of equity crowdfunding are in fact available in entrepreneurial journals (Cumming & Johan, 2017; Mochkabadi & Volkmann, 2020). This might be one of the reasons why most of the initial research on equity crowdfunding presented the phenomenon from the entrepreneurial perspective and focused on what entrepreneurs would consider to be equity crowdfunding success (Schwienbacher, 2019).

Along a temporal line, the first phase of any equity crowdfunding process is the campaign, which is the event during which entrepreneurs present their project on the website of an equity crowdfunding platform in order to collect funds from potential investors. A campaign can take two forms: the “keep it all” vs. “all-or-nothing” models. In the first model, the entrepreneur keeps all the funds collected during the campaign, regardless of the amount; while in the all-or-nothing model, the entrepreneur is required to set a minimum target amount and can collect the money only if this is achieved (Lukkarinen et al., 2016). The all-or-nothing model is the most common, because it protects investors by forcing the entrepreneurs to set realistic targets, which will allow them to realise their start-up goals (Belleflamme, Omrani & Peitz, 2015). In this case, the campaign ends successfully if the entrepreneur manages to raise the targeted amount of capital from the crowd (Ralcheva & Roosenboom, 2020).

Hence, it is important to notice that “success” in equity crowdfunding research is usually associated with the successful raising of funds by the entrepreneur on the platform (Mazzocchini & Lucarelli, 2023; Vanacker, Vismara & Walthoff-Borm, 2019). Similarly, the starting point of equity crowdfunding research is the presence of wealth-constrained entrepreneurs, who turn to crowdfunding due to their need for finance to cover capital expenditure and grow their businesses (Schwienbacher, 2017). For this reason, various studies have focused on funding dynamics and identified the variables leading to campaign success; i.e. how entrepreneurs can convince equity crowdfunders to invest during the campaign, thus achieving their objective. Success is defined through proxies such as the campaign reaching/exceeding the target funding goal, the total amount of capital raised, or the number of investors who contributed to the campaign (Coakley & Lazos, 2021; Lukkarinen et al., 2016).

Ahlers et al. (2015) apply signalling theory and find that equity retention by the entrepreneur, as well as detailed explanations of the investment risks through the use of disclaimers and financial forecasts, act as positive signals for potential investors by having a strong influence on campaign success. Equity retention is considered a signal of quality in signalling theory, due to its consequences for control retainment: offering too much equity would dilute future shareholders' wealth claims (Ralcheva & Roosenboom, 2020). Similarly, Vismara (2016) confirms the importance of equity retention for campaign success, as well as high entrepreneurial social capital (measured as the number of social network connections), while information disclosure about the intended IPO exit strategy is not relevant. Nitani et al. (2019) also demonstrate a positive impact of firm and entrepreneurial social networks, equity retention, and financial information disclosure, as well as entrepreneurial education and management experience, on campaign success. Ralcheva and Roosenboom (2020) confirm that equity retention is an important factor for campaign success, but so are having external funding, being part of an accelerator, and providing information about the team of directors collaborating with the start-up. On the importance of human capital, Piva and Rossi-Lamastra (2018) confirm the significance of the experience and education of the entrepreneurial team, while Li et al. (2016) focus on team experience and size. The results are consistent with a more recent study by D'Agostino, Ilbeigi and Torrisi (2022), who found that factors such as larger team size, high education (i.e. PhD), and possessing a business education (a degree in economics or management) are relevant for campaign success.

In terms of specific campaign characteristics, Vulkan et al. (2016) outline the importance of the number of shares collected during the first week of the campaign, the number of investors participating, and receiving a large investment from a single investor, all factors that have a positive impact on campaign success. Lukkarinen et al. (2016) show that having collected early funding from private and social media networks, a smaller minimum investment amount, a high funding target, a short campaign duration, and providing the crowd with financial information are factors that predict successful campaigns. In contrast, Angerer et al. (2017) underline the role of preparing for the campaign, engaging in ongoing activities, and applying marketing strategies. Furthermore, Block et al. (2018) and Li et al. (2016)

focus on the role of information disclosure, showing that posting updates on how the campaign and the start-up are developing increase the amount invested by the crowd. Additionally, Vismara (2018) outlines the role of information cascades, and so, acting on observations of the behaviour of previous investors, as an important factor in campaign success. Bapna (2019) also focuses on the role of signals such as product certification, affiliation with well-known partners, and social proof in terms of preceding investors, while Di Pietro et al. (2023) provide empirical evidence of the impact of costly signals, specifically a venture's declarations regarding its previous accomplishments and outcomes, on the efficacy of crowdfunding efforts. Finally, Le Pendeven and Schwienbacher (2023) indicate that the perceived innovativeness of start-ups strongly influences their chances of conducting a successful campaign. New studies are expanding the topic of drivers of successful equity crowdfunding campaigns to developing countries such as Malaysia (Wasiuzzaman & Suhili, 2023).

To conclude, there is a substantial body of research examining the signals and factors that contribute to the success of equity crowdfunding campaigns, ranging from entrepreneurial and venture characteristics, to the start-up's interconnectedness, its campaign and social media aspects, etc. (Mazzocchini & Lucarelli, 2023). While an exhaustive summary of these findings is beyond the scope of this study, the existing literature suggests that there is a particular emphasis on the initial stages of the equity crowdfunding process.

2.3 The Intermediary: The Equity Crowdfunding Platform

Equity crowdfunding platforms take on the role of intermediaries between the capital providers and capital seekers (Löher, 2017). Since 2011, the number of platforms, projects posted on them, and capital collected thanks to them, have been growing exponentially (Dushnitsky et al., 2016). For example, Butticè and Vismara (2022) report a staggering population of 331 equity crowdfunding platforms active between 2007 and 2019 in Europe and the United States.

Equity crowdfunding platforms offer the means for crowdfunding transactions. They undertake the legal groundwork, provide the ability to perform financial transactions, and perform the due diligence leading to the pre-selection of the start-ups that will be allowed to raise capital on the platform (Ahlers et al., 2015). The latter role is of particular importance because small investors do not usually have the capability to extensively assess potential investments (Ahlers et al., 2015), so they have to trust the documentation that is presented on the platform by the start-up (Kang et al., 2016). Equity crowdfunding platforms are particularly heterogeneous in both the requirements they ask from investors and the structure of the deals concluded. For example, some platforms chase investors' heterogeneity by directly encouraging co-investments between professional investors, notably business angels, and retail (non-professional) investors. Others, such as the UK's SyndicateRoom or the Australian ASSOB (now EnableFunding), require accredited investors (defined as "super-angels" by SyndicateRoom), to open the offering to smaller investors. These are described as syndicate-like platforms (Rossi, Vismara & Meoli, 2019).

On this note, platforms vary greatly in terms of minimum investment threshold requirements, with some being open to virtually anyone, while others are dedicated to professional and institutional investors only. This has consequences for the types of securities provided to investors, and their consequent rights. A few crowdfunding platforms, such as the UK equity platform Crowdcube, allow the entrepreneur to issue two types of shares: Class A ordinary shares and Class B investment shares. Class A shares are only granted when the investment is higher than a certain threshold and carry voting and pre-emption rights (Cumming, Meoli & Vismara, 2019).

Another theme is that of a deal's structure, in particular the choice between nominee and direct shareholding (Walthoff-Borm, Vanacker & Collewaert, 2018). A unified nominee structure implies that the platform remains representative of the investors during the entire investment period. The UK platform Seedrs pioneered the nominee structure, which delivers pooled voting rights to the investment community, by acting as a trustee and managing the investors' votes (Rossi, Vismara & Meoli, 2019). Hence, the platform undertakes "active digital governance" to prevent potential issues stemming from having a widespread shareholder base with identical control rights (Coakley & Lazos, 2021). Such a structure benefits future institutional investors, including venture capital, who prefer it when deciding to invest in a company that previously collected equity crowdfunding capital (Butticè, Di Pietro & Tenca, 2020). The alternative to the nominee structure is the direct shareholding one, in which each individual investor becomes a shareholder (Cumming, Meoli & Vismara, 2021). For example, the UK platform Crowdcube used to exclusively offer a direct shareholding structure which delivers voting rights to each investor, meaning that the total votes assigned individually are equal to the number of securities bought (Rossi, Vismara &

Meoli, 2019). Crowdcube now also provides the possibility of a nominee structure.

Furthermore, country-level characteristics are important in the creation of crowdfunding platforms, as Dushnitsky et al. (2016) describe after performing a census of more than 600 crowdfunding platforms across 15 European countries. Legal and cultural factors are significant, as well as statistics such as the population size, entrepreneurial rates, and the existence of financial organisations such as angel networks (Dushnitsky et al., 2016).

For a long time, the platforms' definition of equity crowdfunding success has been linked to the same entrepreneurial view of success previously described: campaign success. In fact, since its foundation in 2011, the biggest UK equity crowdfunding platform, Crowdcube, did not charge its members for listing or membership, but for campaign completion. Particularly, it only used to charge 5% (now 7%) of the total amount raised by the entrepreneur after a successful crowdfunding campaign, plus a small legal and administrative fee (Belleflamme, Omrani & Peitz, 2015), while a 5% investor's fee on successful exit was only recently introduced. The platform's income was hence dependent upon successful crowdfunding campaigns, and this had important implications. In fact, although some studies focused on the screening process undertaken by platforms before allowing companies to raise capital (Cumming, Johan & Zhang, 2019; Kleinert et al., 2022; Rossi & Vismara, 2018; Rossi, Vismara & Meoli, 2019), there is a remaining concern that equity crowdfunding platforms may have an incentive to relax their selection criteria, listing as many offerings as possible in order to increase their profits, regardless of the quality of the start-ups presented (Butticè & Vismara, 2022). It goes without saying that this has implications for capital providers (crowd-investors/shareholders). Thus, the discussion now turns to two key questions: who composes the crowd, and how do these capital providers define success in equity crowdfunding?

2.4 The Capital Providers: The Crowd-Investors/ Shareholders

2.4.1 A Heterogeneous Crowd

In order to gain a comprehensive understanding of the investment experience of the crowd and what they consider a successful investment, it is first necessary to consider their investment context and its inherent heterogeneity (Lukkarinen, 2020). The crowd that composes the investor base after the end of a crowdfunding campaign is usually quite varied. In fact, equity crowdfunding attracts diverse types of investors, heterogeneous in their experiences and backgrounds, and both individual and professional investors can participate in the process (Cumming et al., 2019; Rossi et al., 2019). The crowd may encompass: family, friends, unknown unsophisticated investors, professional and institutional investors such as business angels and venture capital funds, incubators, and finally banks, depending upon each country's regulations (Baeck, Collins & Zhang, 2014; Brown et al., 2018; Brown, Mawson & Rowe, 2019).

When looking at individual investors, the differences among the crowd's investment population include the size of the investments made, investors' age, education, professional and investment experience, and consequently their capacity to screen a deal and seize opportunities. Many investors decide to pledge small numbers of shares, spend little time doing the due diligence on the projects, and choose to trust the platform and the entrepreneur on the analysis of the market made, as well as the financial projections given (Zhang et al., 2017). Other investors have more investment experience and buy larger numbers of shares with the purpose of attaining voting rights and acting similarly to a business angel (Cumming, Meoli & Vismara, 2019).

This heterogeneity among the financial sources taking part in the investment process is a new phenomenon in the equity funding context, and the consequences are still unclear. In particular, there is little knowledge about investors' rights, or their diversity according to their investors' status and amount pledged (Hornuf, Schilling & Schwienbacher, 2020). For example, German platforms grant shareholders cash-flow, control, and exit rights. However, Hornuf, Schilling and Schwienbacher (2020, p.10) explain that the crowd is "unlikely to exercise their rights even if desired because of comparatively high transaction costs", because notary expenses are particularly high in Germany. Conversely, in some other countries, shares offered through crowdfunding constitute a distinct class that lacks voting rights (Lukkarinen, 2020).

In March 2014, the Financial Conduct Authority in the United Kingdom introduced regulatory measures aimed at safeguarding investors, while still enabling effective competition (Vu & Christian, 2023). Investors are divided among "everyday/restricted investors" (those agreeing not to invest more than 10% of their assets in unlisted shares and debt securities), "advised investors" (receiving advice from regulated financial advisors), "self-certified sophisticated investors" (i.e. members of a business angel syndicate or network etc.), and "high net worth investors" (i.e. with an annual income of £100,000 or net assets valued at £250,000 or more) (Crowdcube, 2023).

However, the majority of the crowd in the UK appears to be composed of unprofessional investors, as the funds received from UK institutional investors accounted for only 25% of equity crowdfunding investments in 2016 (Zhang et al., 2017). Signori and Vismara (2018) report that the average successful campaign on the UK platform Crowdcube granted direct ownership stakes to 145 investors, while Estrin, Gozman and Khavul (2018) cite a number between 200 and 250 investors in the UK. In contrast, Wallmeroth's (2019) analysis of the German crowdfunding platform Companisto shows that investments of EUR 5000 or more represent only 3.2% of investors, but account for 50.6% of the total funded volume. Professional or institutional investors contribute half of the investment volume collected by the start-ups on that platform. Nevertheless, the situation in the UK may change in the future as well, as less "sophisticated" investors move up the learning curve with time (Drover et al., 2017).

Finally, an important factor to consider is a country's regulations, and in particular the tax incentives that are offered to investors. On this subject, the UK has adopted policies that strongly encourage investments in seed and small companies, independently of equity crowdfunding. The EIS (Enterprise Investment Schemes) and SEIS (Seed Enterprise Investment Schemes) guarantee income tax and capital gains relief of up to 50%, and up to 80% of loss tax relief, respectively (Cicchiello, Battaglia & Monferrà, 2019). This could contribute to explaining the higher popularity that equity crowdfunding has in the UK compared with other European countries, with 68% of equity crowdfunding transactions taking place on UK platforms (Ziegler et al., 2019). In fact, investors might privilege less careful and riskier investments knowing that only a part of their pledge will be lost if the firm fails (Hornuf, Schmitt & Stenzhorn, 2018).

Other countries have similar, but less comprehensive, schemes; among them: Italy offers a 50% income tax deduction thanks to the "Decreto Rilancio" approved in July 2020, Swedish taxpayers receive the "Investeraravdrag", a tax relief of 30% calculated on 50% of the investment, and Belgium offers 45% relief to Belgian taxpayers (Cicchiello, Battaglia & Monferrà, 2019).

A country's environment and policies can therefore influence its conduciveness to investment (Moro et al., 2020). Factors include its cultural, political, and structural context (Zukin & DiMaggio, 1990), as well as the tax and legal environment, or the economic system (Gleason, Mathur & Mathur, 2000; Moro, Maresch & Ferrando, 2018). This complexity contributes to a challenging equity crowdfunding environment, which is constantly subject to regulatory changes (Di Pietro & Butticè, 2020).

2.4.2 The Crowd's View of Success

Having established the investment context of equity crowdfunding, the insights provided in the preceding sections (2.2 and 2.3) prompt us to question whether equity crowdfunders perceive equity crowdfunding success in the same way as entrepreneurs and platforms do. The diverse mixture of investors, including individuals with varying backgrounds and experiences, may lead to differing perspectives on what constitutes a successful investment in the realm of equity crowdfunding. However, it is important to note that, due to their role as providers of equity capital, the traditional measure of success, as depicted in previous literature, revolves around achieving a successful exit from the investment made.

Similarly to other external equity providers, such as business angels or venture capital, equity crowdfunders will keep the shares they receive after the successful equity crowdfunding campaign until they have an exit opportunity through: an initial public offering (IPO), acquisition, buy-out, private trading, or liquidation (Lin, 2017). In fact, only a few platforms – e.g. Seedrs (UK) – offer a secondary market as an alternative anticipated exit, which allows the sale of shares to interested buyers (Lukkarinen & Schwienbacher, 2023; Rossi, Vismara & Meoli, 2019). In contrast, Crowdcube (UK) allows the private sale of shares between two parties after an expression of interest to sell and buy (they refer to this as Cubex).

However, past research has shown that equity crowdfunded start-ups are not financially compensating their investors (Beauhurst, 2020; Eldridge, Nisar & Torchia, 2021; Hornuf, Schmitt & Stenzhorn, 2018; Signori & Vismara, 2018; Walthoff-Borm, Vanacker & Collewaert, 2018). In fact, considering that equity crowdfunding has been active in many countries for ten years, it is reasonable to expect that many start-ups will have raised funds through successful campaigns and some will have realised an exit, resulting in a financial return or loss for the investors. For example, equity crowdfunders financed a record of 573 campaigns in the UK in 2021, making them the third most active investor type, behind 1,359 deals facilitated by private equity and venture capital firms and 602 by business angels (Beauhurst, 2022).

Investors are told that start-ups usually realise an exit in three to seven years (Smit, 2020a), a timing consistent with the four-year median exit time of UK business angels, according to the study by Mason and Harrison (2002b), while a report by the British Business Bank (2018) states an average of six years. However, very few start-ups have actually realised an exit and delivered a positive return to their investors, leading to disappointment (Estrin, Gozman & Khavul, 2018). After ten years of activity, the UK platform Crowdcube reported that 58 start-ups out of 960 deals had provided dividends or an exit to their investors (Crowdcube, 2020). This number includes both financially profitable campaigns and exits that provided investors with a return equal to or lower than their initial investment, as well as start-ups that have simply distributed dividends or repaid bonds. Additionally, Seedrs, the second major UK platform, realised a total of 14 financially successful primary exits across the platform, out of almost 1000 start-ups financed (Alois, 2020). These two platforms, Crowdcube and Seedrs, consistently share over 90% of the UK equity crowdfunding market, 97.5% in H1 (January to June) 2020, and have successfully closed more than 2000 campaigns in total (Beauhurst, 2020). Their low exit numbers are striking considering that the United Kingdom is the most active equity crowdfunding market in Europe (Ralcheva & Roosenboom, 2020), accounting for 68% of the entire European crowdfunding market (Schmidt, 2019). Furthermore, the UK has a very active IPO market for small firms, and for institutional investors (VCs, private equity funds) who would be interested in acquiring promising start-ups.

Regarding equity crowdfunding performance, previous literature has mainly focused on follow-up funding or firms' failure and, therefore, bankruptcy. In particular, the reported failure rates are quite low, and range from 15% to 18% on analysis from 2011 to 2015 (Hornuf, Schmitt & Stenzhorn, 2018; Signori & Vismara, 2018; Walthoff-Borm, Vanacker & Collewaert, 2018). However, these numbers are not recent and it is not clear whether the other start-ups are still active or mainly composed of "living dead" or "empty shells" (Cumming, Vanacker & Zahra, 2021). A more recent report by Beauhurst on the UK market compares exit and death rates of crowdfunded and VC-backed companies between 2011 and 2020. The results show that crowdfunded companies are twice as likely to have died and four times less likely to have exited than VC-backed companies, and they also show higher rates of stagnation, indicating no growth progress (Beauhurst, 2020). The most recent data, between 2011 and 2021, has not changed, with 5% of all the equity crowdfunded start-ups in the UK having completed a successful exit, 18% progressing to later stages of evolution, while 20% have failed, and 57% have stagnated (Beauhurst, 2022).

Based on the currently available statistical data, it remains uncertain as to whether equity crowdfunding can be considered a financially viable form of investment for the wider public. As a result, there is a need to investigate the underlying motivations that drive individuals to participate in equity crowdfunding, particularly in terms of their financial objectives.

3. Investment Motives of Equity Crowdfunders

This chapter offers a brief introduction to behavioural finance, laying the foundations for the exploration of Statman's (2017) framework. This framework guides both the literature review centred on the crowd's investment motives and the subsequent analyses of these motives.

Traditional financial theory suggests that investments have an economic motivation: people invest with the hope of ending up richer than they were before the investment, and make rational investment choices (Fama, 1970). In contrast, behavioural finance: "finance with normal people in it, people like you and me" (Statman, 2014, p.65), assumes that investors are influenced by cognitive errors (e.g., hindsight, overconfidence) and misleading emotions (e.g., unrealistic hopes, fear). In fact, behavioural finance attributes fundamental importance to emotions and their role in determining which investments are made in the context of imperfect information, by investors who are not considered completely rational (Statman, 2014; Wallmeroth, 2019). Such an assumption seems to fit the context of equity crowdfunding, given the underlying issues of information asymmetry and high levels of uncertainty about investment outcomes faced by the crowd (Schwienbacher & Larralde, 2012). Furthermore, the recent literature on equity crowdfunding also suggests additional, non-economic, emotional justifications that could contribute to explaining the investments made (Feola et al., 2019), and how the crowd deals with their riskiness (Johan & Zhang, 2020).

3.1 Behavioural Finance

Behavioural finance, as in "finance from a broader social science perspective including psychology and sociology" (Shiller, 2003, p.83), refers to the role of the investor's psyche when making financial decisions, and places particular emphasis on how financial decision-making processes are influenced by emotions (Kapoor & Prosad, 2017). Behavioural finance is a relatively new school of thought, which challenges the traditional finance theories. In contrast to behavioural finance, "standard" finance theories, such as portfolio allocation based on expected return and risk, risk-based asset-pricing models (e.g. CAPM), the Miller-Modigliani theorem, etc., place their emphasis on the rationality of investors (Subrahmanyam, 2007). One of the key assumptions of "standard finance" is that investors are rational and make decisions after considering all the available information. This translates into the efficient market hypothesis (asset prices reflect all the available information) (Fama, 1970, 1997; Joo & Durri, 2015). A pillar of traditional finance theories is the concept of expected utility, according to which: "the decision maker chooses between risky or uncertain prospects by comparing their expected utility values" (Davis, Hands & Mäki, 1998, p.171). Hence, utility is considered the measure for satisfaction (Bernoulli, 1954). The concept of *homo œconomicus* is also relevant: an individual dedicated to the pursuit of wealth, characterised by the capacity to judge "the comparative efficacy of means for obtaining that end" (Bee & Desmarais-Tremblay, 2023, p.5). Hence, the rational economic man "tries to maximize his satisfaction (or utility) given the constraints he faces", and the main assumptions behind such an agent are the concepts of perfect rationality, self-interest and information (Kapoor & Prosad, 2017, p.51). The ideal, rational, economic man [sic] possesses a comprehensive understanding of all the relevant aspects of his environment, has a stable system of preferences and is capable of calculating which, among all the alternatives available to him, will warrant him the greatest satisfaction on his preference scale (Simon, 1955).

However, because traditional finance theories are based on the idea of making calculated financial decisions, they fall short when attempting to explain anomalies and disruptions in the financial market (e.g., market bubbles, over/under reactions etc.) (Kapoor & Prosad, 2017; Ritter, 2003; Shiller, 2003). Behavioural finance evolved from these considerations, challenging the idea that perfect rationality lies behind investors' decisions, particularly thanks to the work of the psychologists Daniel Kahneman and Amos Tversky. Until the 1970s, finance primarily studied the financial environment and its functioning. However, the 1980s saw the fundamental premises of standard finance theory being challenged. In fact, during the 1990s, the focus shifted towards understanding the psyche of the environmental agents: the individual investors, thanks to the emergence of behavioural finance (Joo & Durri, 2015).

Prospect theory was introduced to enable the analysis of decision-making under risk, and formed the backbone of behavioural finance (Kahneman &

Tversky, 1979). The value function replaced the utility function, where "value" represents the value that individuals attach to their gains or losses, and refers to the fact that gains and losses are felt at different intensities across cases and people. While the utility function of expected utility theory is defined in terms of "final states" (e.g., monetary outcomes) and follows the principle of rational choice, the value function of prospect theory is defined in terms of changes (e.g., in wealth) relative to a reference point and incorporates psychological insights such as loss aversion and non-linear probability weighting (Kahneman & Tversky, 1979). These two concepts refer to the possibilities that the disutility of losing a particular sum is greater than the utility of gaining the same sum, and that low probabilities are overweighted, while high probabilities are underweighted.

Various studies within the field of behavioural finance have shown that human beings do not always make decisions in a rational manner, and that factors beyond pure logic can influence the decision-making process (Argan, Altundal & Tokay Argan, 2023).

Behavioural finance is based on the fundamental assumption of bounded rationality, which posits that individuals are only rational to a certain degree, and that their behaviour is significantly influenced by their emotions (Simon, 1955). As such, financial decisions are influenced by psychological factors and biases that distort logical reasoning (Kahneman, 1984; Tversky & Kahneman, 1974). Thus, investors are not seen as purely rational actors focused solely on the maximisation of their utility (Fama, 1970; Modigliani & Miller, 1958).

As the nomenclature implies, behavioural finance is concerned with the behaviour of financial investors. The literature is vast and encompasses a wide spectrum of topics. It delves into the analysis of individual investors' behavioural patterns and psychological tendencies, such as the disposition effect (a reluctance to realise losses). This effect leads investors to "sell winners too early and ride losers too long" (Shefrin & Statman, 1985, p.777). The literature also explores group psychology and the resulting market movements. Consequently, it examines how investors' sentiments can affect markets (Shleifer, 2000). Additionally, it includes theories such as the previously cited prospect theory (Kahneman & Tversky, 1979), loss aversion (Kahneman, 1984), and mental accounting. According to mental accounting, individuals categorise assets and evaluate them in isolation, rather than considering them interchangeable, leading to suboptimal decision-making (Thaler, 1985). The fundamental concern of behavioural finance is the examination of human behaviour in the financial realm, with the aim of gaining insights into the factors that influence financial decision-making.

Anchored within the principles of behavioural finance lies a framework postulated by Statman (2017), which advances a novel classification of investment motives, predicated upon the assumption of non-complete rationality among investors. This framework is applied here in order to systematise and expand the investment motives elucidated by previous research in the realm of equity crowdfunding, distributing the crowd's investment motivations across utilitarian, emotional, and expressive categories (Statman, 2017). As stated by Statman (2019), individuals seek three types of benefits from any given activity, product, or service, including financial ones. Utilitarian benefits pertain to the pragmatic question: "what does something do for me and my wallet?" (Statman, 2019, p.12). In contrast, expressive benefits relate to the symbolic dimension of an investment and its ability to convey personal tastes or status, thereby addressing the question: what does the investment "say about me to others and to myself" (Statman, 2008a, 2019, p.12). Finally, emotional benefits correspond to the affective aspect of an investment and its capacity to elicit distinct emotions such as pride, excitement, and hope, thus encompassing the question: how does this investment "make me feel?" (Statman, 2019, p.12).

Much of the existing literature on equity crowdfunders' motives draws upon the theoretical framework of Self Determination Theory and intrinsic/extrinsic motivation (Cholakova & Clarysse, 2015; Feola et al., 2019; Lukkarinen, Wallenius & Seppälä, 2018). In this context, Statman's (2017) framework offers a novel perspective. However, the framework is not without limitations. For instance, it does not fully account for individuals having multiple overlapping investment motives and overlooks societal or cultural factors, thus potentially oversimplifying complex phenomena (Statman, 1999, 2008b). Nevertheless, it is a versatile instrument through which to categorise motives, and expand their range. Furthermore, it builds upon the underlying assumption of the non-complete rationality of investors, which appears particularly fitting in the context of equity crowdfunding.

In the following sections, insights from the literature on other forms of equity investors are used to enrich the understanding of investment motivations. Primarily, perspectives from business angels, alongside venture capital funds, offer valuable context, adding depth to the study. The business-angel literature is the antecedent of all research examining equity crowdfunders' investment motives and, thus, the variables used in the analysis (Feola et al., 2019; Lukkarinen, 2019). Furthermore, various studies have highlighted the fact that equity crowdfunding, being a source of equity finance for start-ups, shares similarities with other start-up financing methods, and can substitute for or complement angel or venture capital financing (Hornuf & Schmitt, 2016; Lukkarinen et al., 2016).

3.2 Utilitarian Motives

This section explores past literature discussing equity crowdfunders' investment motives that would be classified as utilitarian. Cholakova and Clarysse (2015) wrote one of the first and most cited empirical papers linked to the topic of crowdfunders' motivations. Their survey of 155 crowdfunders active on the Dutch equity and reward platform Symbid shows that the motivation to invest in equity crowdfunding is utility-driven and positively predicted by the expectation of financial returns. Their study uses experiments: the results are obtained after presenting investors with the choice of investing according to a reward crowdfunding model, a pure equity crowdfunding one, or the possibility of doing both.

A report by Zhang et al. (2017) is in line with their results: 87% of the UK crowd invests in the hope of obtaining financial returns and 80% for diversification purposes. Nonetheless, 66% of the respondents also claim to privilege industries they know or care about and 59% want to help a business or make a difference, while 51% were curious about investing (Zhang et al., 2017). This report appears to be in line with early suggestions advanced by Ordanini et al. (2011) and Collins and Pierrakis (2012), with the latter showing variety in the crowd's motivations, even though financial motives prevail.

Thus, it is not a surprise that the study by Cholakova and Clarysse (2015) set the tone for the following research focused on financial motivation, to the point that Block et al. (2018) assume that equity crowdfunding is driven only by financial motivations and implies a passive investment approach. Similarly, Hornuf and Schwienbacher (2018, p.558) define equity crowdfunding as "a category of crowdfunding, in which backers expect financial compensation for their investment": dividends, capital gains, but also the post-investment tax deductions that many countries offer. Indeed, tax relief schemes for seed investors can be quite substantial (Estrin, Gozman & Khavul, 2018; Hornuf, Schmitt & Stenzhorn, 2018), so much so that, according to an HM Revenue and Customs Research Report by the UK Government (2016), 79% of investors surveyed stated that income tax relief was a crucial determinant in their choice to invest in small and high-risk businesses. Investors might choose to proceed with a risky investment knowing that they will lose only a part of their initial investment in the case of failure (Estrin, Gozman & Khavul, 2018; Hornuf, Schmitt & Stenzhorn, 2018). Additionally, 62% of the UK equity crowdfunders surveyed by Zhang et al. (2017) declared that tax reliefs were important for their investment decision.

The search for financial returns and tax benefits is prominent in the literature on equity crowdfunding motives, and further explanations linked to utilitarian drivers can be found when considering the characteristics of equity crowdfunding as an investment tool: investors know that they have very small probabilities of extraordinarily high returns and that the majority of the start-ups they invest in will fail (Estrin, Gozman & Khavul, 2018). However, that very small probability is fundamental to their investment decision, as the study by Estrin, Gozman and Khavul (2018) shows. They report that the equity crowdfunders they interviewed claimed a high-risk appetite and tolerance for losses, while searching for skewed returns in the range of 3X, 5X, or 10X: the "golden unicorn" (over $1 billion valuation).

Behavioural finance theory supports such findings, claiming that how people consider gains and losses is often coded in unexpected ways: "a person who has not made peace with his losses is likely to accept gambles that would be unacceptable to him otherwise" (Kahneman & Tversky, 1979, p.287). Thus, serial equity crowdfunders can sustain the loss or underperformance of the majority of their investments due to the chance that the next investment might be a unicorn, regardless of how small the chance of that happening may be. In addition, the overweighting of small probabilities determines the lottery phenomenon (Tversky & Kahneman, 1992), so that equity crowdfunders might be over-optimistic about a start-up's future and overestimate their skills and abilities in selecting successful start-ups, thus misperceiving the total risk ("self-efficacy") (Stevenson et al., 2019). Stevenson's et al. (2019) study demonstrates that self-efficacy in crowdfunders is negatively related to the funding decision process, because it hinders the research effort and increases the "crowd bias". This leads equity crowdfunders to follow the opinion of the crowd, hence generating a herd behaviour, despite the presence of contrary signals, thereby investing almost three times more in lower-quality ventures favoured by other investors (Stevenson et al., 2019). Indeed, the choice to make decisions in contexts of imperfect information by looking at the behaviour of others (Vismara, 2018) is used by equity crowdfunding investors as a way to minimise the risk of uncertainty, due to information asymmetry (Moritz, Block & Lutz, 2015).

To conclude, the search for utilitarian remuneration appears to be linked to how the individual ponders return/risk. This consideration leads to the identification of related emotional drivers, which could contribute to explaining the crowd's decision to engage in equity crowdfunding. The next section expands upon the topic of emotional motives as drivers of investments, thanks to the contributions of the behavioural finance theory, angel financing, and equity crowdfunding literature.

3.3 Emotional Motives

Only limited research on equity crowdfunding has explored non-utilitarian investment motives, such as emotional considerations that centre on the question: how does this investment "make me feel?" (Statman, 2017, p.17).

When considering risky choices, behavioural finance prescribes that fun, excitement, regret avoidance, and "hope for great winnings drives people to buy lottery tickets and engage in stock trading" (Pan & Statman, 2012; Statman, 2019, p.51). The search for fun and excitement, the thrill of investing (Statman, 2014), and the challenge of identifying the one start-up that will become a unicorn are emotions: non-economic optimal beliefs and intuitions, which have been proven to drive specific investment choices (Kahneman, 2003). Pan and Statman (2012) have suggested that a single investor can possess multiple risk tolerances and that probing for a single, global one is a mistake. Their study explains that investors can have low risk tolerance when dealing with a retirement account, while simultaneously being very aggressive with a small part of their investments, which represent their "get-rich" chance, and thus a win-lose situation. Therefore, the resulting investment decision may not be rational in the traditional sense, as the search for excitement and challenge may supersede or intertwine with the financial motive.

On the subject of crowdfunding, research by Bento et al. (2019) confirms the possibility that crowdfunders are influenced by behavioural reasons such as bounded rationality and cognitive bias, while showing that the returns obtained on their investments are not consistently aligned with project risks. Further insights into the matter can be obtained from angel financing studies. Past research on business angels also suggests that emotional drivers can play an important role because they make the collaboration between entrepreneurs and angels more personal (Sudek, 2006): business angels want to "have fun while making money" and be involved with entrepreneurial ventures (Mason & Harrison, 2002a, p.220).

Angel investors are “high net worth individuals (mostly self-made) who invest their own money in unlisted businesses” (Mason & Harrison, 2002b, p.272). They are professional investors, who usually conduct a thorough due diligence before committing to a start-up and have a direct relationship with the entrepreneur, with whom they often share responsibilities (Vismara, 2016). The literature often portrays equity crowdfunding investors differently, mostly characterising them as unsophisticated, passive financial resource providers (Blaseg, Cumming & Koetter, 2021; Block et al., 2018). However, despite their different experiences, both business angels and equity crowdfunders support start-ups and small companies and may therefore share similar investment motives.

Angels’ choices are strongly influenced by non-financial reasons, such as the opportunity of creating employment, supporting innovation, and the personal satisfaction of assisting in building successful ventures (Wetzel, 1983). In fact, they may actively assume strategic roles of monitoring, supervision, resource acquisition, and mentoring (Haines et al., 2012; Politis, 2008). Other institutional investors, such as government venture capitalists, also encourage investments in responsible SMEs, fostering positive societal impact (Johansson, Malmström & Wincent, 2021).

Equity crowdfunders, on the other hand, might not have such a high level of skin in the game, but they may have an additional relationship with the start-up, that of customers. Indeed, equity crowdfunding platforms advise entrepreneurs to advertise their upcoming crowdfunding campaigns among their customers, followers, and associates, because this can help to ensure campaign success (Crowdcube, 2022). Some members of the crowd may therefore view their investment as a way to support a start-up whose product they care about (Ordanini et al., 2011), and personal identification can be an essential motivator (Katzenmeier et al., 2019). For instance, Estrin, Gozman and Khavul (2018) argue that equity crowdfunders’ investment decisions can be influenced by their willingness to support entrepreneurs and their projects, and the fact that they also have the opportunity to support innovation and promote economic growth. Hornuf et al. (2022) claim that sustainability-oriented crowdfunders invest in a greater number of campaigns and commit larger amounts in comparison to ordinary investors. Similarly, Vismara (2019) argues that the sustainability orientation of a crowdfunding campaign attracts a greater number of restricted (retail/small) investors in comparison to professional ones.

Equity crowdfunders could be driven by a feeling of social responsibility (Feola et al., 2019), an investment motive that is commonly associated with business angels (Wright, 2017). For example, Miller et al. (2019) describe a case study of a bio-pharma start-up in New Zealand and highlight that the level of philanthropic investment motives was higher among crowdfunders than business angels. The investment can be a way of giving back to start-ups, which generates positive feelings (Zhang et al., 2017). Additionally, passionate commitment from the entrepreneur is a powerful tool that can motivate investors, because the passion that entrepreneurs direct towards their businesses helps to keep the business afloat (Benjamin & Margulis, 2000; Stenholm & Renko, 2016). Similarly, leadership capacities, creativity, competence, and the ability to make decisions are also highly praised entrepreneurial qualities that can motivate investment decisions (Landström, 1998). Moysidou (2017, p.24) has also highlighted the relevance of these aspects for equity crowdfunders, arguing that "the first impression and a certain personal chemistry to the project creators", for example, identification, can be significant motivators in equity crowdfunding. In fact, supporting the building of successful ventures (Wetzel, 1983), and companies with shared values (Statman, 2019; Zhang et al., 2017) could be extremely satisfying for investors.

3.4 Expressive Motives

Expressive motives relate to the question: what does the investment "say about me to others and myself?" (Statman, 2017, p.17). They enable us to signal information about the way we are (our tastes, status) and how we act, to ourselves and others.

As anticipated in the previous section, the literature on equity crowdfunders is not particularly complimentary. The crowd is said to be composed of unsophisticated investors, with no accountability, weaker rights, and few opportunities for interaction with the entrepreneur (Blaseg, Cumming & Koetter, 2021; Block et al., 2018). When comparing equity crowdfunders to business angels, the former might be considered more similar to "lotto investors" or "traders", as Sørheim and Landström (2001) define those informal investors who have limited knowledge or skills with which to add value to the start-up.

Nevertheless, the crowd supports entrepreneurship and innovation, and as business angels are often presented as "business creators" and "co-creators" (Landström, 1998), the crowd might also expect recognition for their role in financing early-stage businesses with high chances of failure. Irrespective of their different investment experience and amount invested, business angels and equity crowdfunders may share the idea that, as first supporters of start-ups, they play a key role in the economy by selecting those firms that deserve their investment. In fact, equity crowdfunders know that their money is helping the business, and this recognition can motivate their investments (Zhang et al., 2017), generating a feeling of being part of a prestigious investment club (Wald, Holmesland & Efrat, 2019). On this note, the studies by Collins and Pierrakis (2012) and Schwienbacher and Larralde (2012) first hypothesised that the crowd might be driven by expressive investment motives, such as the desire to gain prestige or recognition as an investor.

The literature on donation crowdfunding supports this possibility. Donors might have a deep need to help others, but the act of donation itself can be self-beneficial/self-promoting because it provides public recognition, social identity, or status (Moysidou, 2017). In other words, altruistic motives can be driven by egoistical feelings, which enables a comparison between donation and equity crowdfunding. Likewise, since equity crowdfunders represent the shareholders of a start-up, they may see their investments as an indication of their social status and wealth (Statman, 2019). The importance of receiving recognition, developing an image/reputation, and liking the project were outlined as important motivational factors in research on Innovestment, the German crowdfunding platform for sustainable investments (Bretschneider & Leimeister, 2017).

Additionally, a fundamental key to obtaining expressive benefits is the opportunity to share the investment experience with others, and hence being included and respected by the investment community (Statman, 2019; Wallmeroth, 2019). This need can therefore lead to the search for connections (Allison et al., 2015) and thus to the development of collaborations with the start-up and other investors (Di Pietro, Prencipe & Majchrzak, 2018).

Equity crowdfunding has been defined as a democratising force, opening up investment opportunities to the masses that were previously reserved for professional investors (Cumming, Meoli & Vismara, 2021). The psychological implications of this fact can be far greater that the simple “quest for a financial return”, while the development of relationships with other investors and the start-up itself can stem from a need to satisfy expressive motives. On this subject, the next chapter develops the topic of the crowd’s behaviour.

4. The Crowd's Behaviour

The previous chapters looked at various financial and/or non-financial motivations that might drive people to become equity crowdfunders. This chapter focuses on what happens once crowdfunders effectively become shareholders, after the investment has been completed and the campaign has closed successfully: the post-investment phase.

Once the investment is complete, the crowd and the start-up enter a new stage, characterised by waiting, expectation, and, in some cases, contact and involvement. Given their investment motives, the crowd might assume diverse behaviours following a successful campaign, and primarily has two options: adopting a proactive role, driven by the motives that led them to invest, or simply assuming the role of passive spectator, waiting to see how the investment will turn out (Hornuf, Schilling & Schwienbacher, 2020; Schwienbacher & Larralde, 2012).

The finance literature sets an important precedent when discussing the concepts of active and passive investment behaviours, because the two have specific meanings. A passive financial investor is someone who rarely buys and sells, uses rule-based investing strategies and often settles for mutual or index funds (Anadu et al., 2020). In contrast, active investors take a "hands-on approach" and actively manage their portfolios even in the short term, in order to pursue better expected performances than those obtainable through a passive approach (Foster & Warren, 2016). However, due to the frequent lack of secondary markets in equity crowdfunding, as well as the illiquidity of this type of shares, such conceptualisations of active and passive investment behaviours are not particularly helpful when researching this area. Hence, attention has been turned to the concepts of shareholder activism and value-added activities, in the context of venture capital funds and business angels. The following sections look at the origin of shareholder activism and how the concept has been used in relevant research on other external equity providers, and the chapter concludes with an adaptation of the practice to the context of equity crowdfunding.

4.1 Information Asymmetry, Agency Theory, and Shareholder Activism

The phenomenon of shareholder activism, also known as relationship investing, has undergone significant evolution over time. The genesis of shareholder activism can be found in the agency conflicts that may arise between shareholders and managers, as well as the pervasive problem of information asymmetry. For the purposes of this investigation, the words "manager" and "entrepreneur" are interchangeable, as the entrepreneur is usually also the manager in small and medium-sized enterprises. The term information asymmetry denotes the unequal distribution of information between parties (Spence, 1973; Stiglitz & Weiss, 1981), which can induce market failure as a result of adverse selection, often referred to as the "lemons" problem, notoriously illustrated by Akerlof (1970). The problem can be explained in the following way: in the realm of investment, prospective investors possess an understanding that individuals within a company hold vital information that remains unattainable to them, thus impeding their ability to accurately differentiate between favourable and unfavourable investment opportunities (Schwartz, 2015). Consequently, investors are inclined to devalue all potential investments, even those of high quality. In the absence of external intervention, this prevailing circumstance is expected to result in the exit of all viable investments from the market, leaving only subpar ones (the "lemons").

The issue of information asymmetry holds significant relevance in the domain of crowdfunding, wherein "entrepreneurs possess 'inside' information about their own project for which they seek financing" (Leland & Pyle, 1977, p.371). Crowdfunding investors are limited in their interactions with entrepreneurs, and make investment decisions based on the information presented to them online (Ahlstrom, Cumming & Vismara, 2018). That information, however, is subject to only "light" due diligence and can be "pretty opaque" in terms of the financial metrics provided (Vismara, 2022). Vismara (2016) compared the situation of crowdfunding investors to that of IPO investors, VCs, and business angels, and concluded that VCs and business angels are less subject to information asymmetry because they can supplement their due diligence with insights gleaned from their personal relationship with the entrepreneurs. This leads to a more comprehensive understanding of the business and the entrepreneurial plan. Conversely, IPOs can be viewed as "the natural parallelism of equity public offerings via crowdfunding" (Vismara, 2016, p.16). However, unlike equity crowdfunding deals, IPO investors have the opportunity to meet with both company representatives and the underwriter prior to committing their funds, and can rely upon reports issued by financial analysts or IPO underwriters (Vismara, 2018), which enhance the credibility or reputation of the company.

As a consequence of the general lack of information available to equity crowdfunders, entrepreneurs with lower-quality ventures, who were not capable of obtaining financing from other sources, such as business angels or venture capitalists, might seek equity crowdfunding, knowing that investors do not have much information to discern their venture's quality. This may lead to a higher proportion of lower-quality ventures being funded and, thus, to adverse selection (Butticè & Vismara, 2022; Johan & Zhang, 2020; Mollick, 2014).

Aside from adverse selection, another problem related to information asymmetry is that of moral hazard. While adverse selection occurs before the investment, moral hazard appears after it. Moral hazard "indicates a form of post-contractual opportunism caused by the unobservability of certain actions" (Becchetti, Bruni & Zamagni, 2020, p.204). Moral hazard originated in the insurance field, and refers to the possibility that insured people might take more risks or "consume" more insurance because they know they are protected against the risk (Arrow, 1963; Holmstrom, 1979). Translating to the context of crowdfunding, once a venture is funded, entrepreneurs might take actions that are not in the best interests of their investors (e.g. filing for bankruptcy shortly after having received the funds, or using them for purposes unrelated to the intended project, or simply reducing their efforts following the investment), taking advantage of the dispersed nature of the investors and the difficulties they face in monitoring the entrepreneurs' actions (Bade & Krezdorn, 2018; Hornuf & Schwienbacher, 2018).

Nearly every situation involving information asymmetry, adverse selection, or moral hazard can be conceptualized and structured within the framework of an agency relationship (Becchetti, Bruni & Zamagni, 2020), which arises "between two (or more) parties when one, designated as the agent, acts for, on behalf of, or as representative for the other, designated the principal, in a particular domain of decision problems" (Ross, 1973, p.134). In this sense, equity crowdfunders represent the principal faced with the challenge of information asymmetry, while entrepreneurs assume the role of the agent, who possesses greater knowledge about the investment (Mazzocchini & Lucarelli, 2023). Agency Theory posits that there is an inherent information asymmetry between shareholders (principal) and managers/entrepreneurs (agent), because shareholders do not know how managers will act once they are in positions of power (Jensen, 1996; Jensen & Meckling, 1976; Ross, 1973). Both shareholders and managers are assumed to be attempting to put their own interests ahead of their counterpart, but entrepreneurs will be managing the investors' money (Schwartz, 2015). It is postulated that managers might make decisions that diverge from shareholders' preferences, acting in their own interests instead of protecting those of the shareholders; consequently, shareholders incur monitoring costs to ensure managerial accountability, while managers carry bonding expenditures to maintain shareholders' trust (Jensen & Meckling, 1976). In fact, entrepreneurs have an interest in convincing people to invest in their company, while investors need the managers to behave in good faith when running that company (Schwartz, 2015). Agency theory has been applied to a variety of settings, ranging from macro-phenomena such as regulatory policy to micro-level issues such as blame, lying etc. and involves assumptions including bounded rationality and risk aversion (Eisenhardt, 1989), which are familiar in behavioural finance.

Shareholder activism emerged as a response to agency problems, hence its application has relevance in the context of equity crowdfunding. Nonetheless, its definition varies according to the context studied, due to its multifaceted nature. Smith (1996) describes shareholder activism as a phenomenon marked by heightened levels of monitoring conducted by institutional investors who have traditionally assumed passive roles. This trend manifests itself through monitoring activities and attempts to affect changes in a company's control structure when it is perceived as not prioritising the goal of maximising shareholder wealth. In contrast, Gillan and Starks (2000) provide a distinct characterisation of shareholder activism, defining it as a concerted effort undertaken by shareholders with the aim of exerting pressure on the management of poorly performing companies, with a view to enhancing their performance and increasing the shares' value.

Shareholder activism is largely rooted in the equity holding of institutional investors, including investment companies, advisers, bank trusts, insurance companies, and, in particular, pension funds, as these actors frequently hold sizeable numbers of shares which, in the case of underperforming companies, cannot be easily disposed of without precipitating a sharp decline in share prices and attendant significant losses (Gillan & Starks, 2000). To attain the abovementioned objective, some widely adopted practices include the establishment of large boards, comprised of independent directors who are external to the organisation and may have age or term limits, with the objective of balancing managerial power or separating the roles of CEO and chair of the board (Daily, Dalton & Cannella Jr, 2003). In particular, the board of directors plays a pivotal role in mitigating agency problems, as it is responsible for the recruitment, compensation, and oversight of the management team.

However, it is important to note that these practices have limited or no applicability in the context of equity crowdfunded firms, because they are typically in their nascent stages of development and lack a well-defined organisational structure (Brown et al., 2018). Indeed, at the seed stage, firms typically maintain only a small board composition, consisting of the founder(s) and CEO, in addition to a single external member who is not affiliated with the organisation, and who provides independent oversight, bringing valuable professional expertise to the table (Freedman & Nutting, 2015, p.189). As firms progress through additional financing rounds and attract investment from angel or venture capital sources, the size of the board may be expected to expand. It is worth noting, however, that numerous entrepreneurial ventures exist without a formalised board of directors (Cumming, Vanacker & Zahra, 2021).

Ryan and Schneider (2002) offer a broader and more relevant definition of shareholder activism, characterising it as an intentional pattern of behaviour with the aim of exerting influence over a firm, its direction, or performance, whether by direct or indirect means. This definition is relevant in the context of venture capital literature, where the provision of financial resources to investees is accompanied by an engagement beyond mere monetary support (Bottazzi, Da & Hellmann, 2008). Similarly, active involvement in the investment seems to be the best way for business angels to gain control or exert influence (Van Osnabrugge, 2000). Investor activism translates into the performance of activities designed to add value to start-ups, and it has been shown to be positively related to the success of investee companies. On this subject, inaction in such a regard would be classified as passive behaviour. The next section explores activism as value-adding activities in more detail in the context of equity providers as venture capitalists (VCs) and business angels (BAs).

4.2 Value-adding Activities

In the context of venture capital investments, activism takes shape through a range of value-adding activities, including direct interaction with the entrepreneur, active support of the investee firm, and also monitoring and control (Bottazzi, Da & Hellmann, 2008). Activism encompasses activities specifically geared towards supporting the investee company (Jackson III, Bates & Bradford, 2012). In fact, since VCs typically finance young firms with limited track records and collateral, their role of financial intermediation is fundamental, because they must provide additional value beyond mere capital infusion (Vaidyanathan, Vaidyanathan & Wadhwa, 2019).

The supplementary value provided by VC firms in the form of managerial expertise, networking opportunities, and access to professional business models facilitates faster growth rates for firms that secure VC financing compared to those that do not (Peneder, 2010). The effectiveness of these value-adding services provided by VCs is also observed to be highest during the first two years following the initial VC round (Croce, Martí & Murtinu, 2013). Value-adding activities performed by VCs include development of the business idea and professionalisation (Luukkonen, Deschryvere & Bertoni, 2013), such as the recruitment of professional sales and marketing staff, the introduction of policies on human resources, or the implementation of stock option plans (Denis, 2004). In fact, VCs engage in financial, strategic, marketing, and operational improvement and networking (Cumming, Fleming & Suchard, 2005; Proksch et al., 2017). Furthermore, venture capital firms use monitoring activity in the form of operational overseeing or strategic aid to the founders, to help start-ups succeed and ensure that they recover their investment (Gompers & Lerner, 2001).

The same conceptualisation of investor activism is also in line with prior research that has examined the value-adding role of business angels to the start-ups in their portfolios. Similarly to VCs, the start-up firms in which business angels invest are generally associated with a lack of knowledge in areas such as finance and marketing (Brush et al., 2001), which angels are able to provide as a valuable resource. As noted by Carter et al. (1996), interaction with external strategic advisors is considered one of the most significant factors influencing the success of new ventures. In fact, angels are expected not only to provide financial capital, but also to support the development of new ventures through their professional and personal knowledge and skills, as value-adding investors (Politis, 2008).

Angels provide a range of value-adding services, including resource acquisition through their personal networks (Sørheim, 2005), mentoring (Kerr, Lerner & Schoar, 2014), and supervising less experienced start-up firms, thus building a developmental relationship (Amatucci & Sohl, 2004). Leveraging their business expertise and management skills, business angels offer strategic advice to start-up firms through functional roles and participation on the board of directors (Mason, Botelho & Harrison, 2019). Strategic counselling, resource acquisition, and mentoring roles are the most commonly reported value-adding roles performed by angel investors (Croce, Tenca & Ughetto, 2017; Politis, 2008).

To sum up, business angels are known for their active shareholding role, which implies activities linked to strategic advice, project planning, networking, and general guidance (Brush et al., 2001). They provide the entrepreneur with additional value that is determined by their experience and managerial know-how (Aernoudt & Erikson, 2002), and are said to have a positive impact on both corporate governance and the profitability of the start-ups in which they invest, thanks to their activities of monitoring and mentorship (Politis, 2008).

This particular approach to investor activism observed within the venture capital and business angel literature, in the form of value-added activities or "services that actually create value" (Jackson III, Bates & Bradford, 2012, p.342), serves as a good basis for investigating intentional patterns of investment behaviours among equity crowdfunders after an equity crowdfunding campaign has successfully taken place. Similarly to VCs and business angels, equity crowdfunders may attempt to exert influence through value-adding activities in order to contribute to the success of the company and achieve their investment motives.

4.3 The Crowd's Post-Campaign Behaviour

When considering the crowd's behaviour after their investment has taken place and the campaign has closed successfully, previous equity crowdfunding literature has distinguished between passive and active types of behaviour. Hornuf et al. (2020) and Schwienbacher and Larralde (2012) first introduced the distinction between passive and active investments by the crowd. Active investments are realised when investors are offered the opportunity to provide feedback to the entrepreneur on topics such as market or product development, or a chance to work for the start-up; passive investments occur when the entrepreneur is solely seeking to obtain funds, without leveraging the crowd's expertise or skills, in order to avoid dispersing control (Schwienbacher & Larralde, 2012). It should be noticed that Schwienbacher and Larralde (2012) consider that the entrepreneur is the party with the power to determine the realisation of active behaviours by the crowd. An alternative point of view is to look at the investors.

An equity crowdfunding investor choosing to adopt a passive behaviour will not look for any opportunity to exert influence, but will instead take a passive investment approach (Block et al., 2018), simply waiting for an exit opportunity from the investment. In contrast, shareholder activism could range from a simple and general interest in the start-up's performance, involving some kind of monitoring activity (Berns, Shahriar & Unda, 2021; Bottazzi, Da & Hellmann, 2008), which may be related to the amount invested as well as contractual investors' rights (Cumming, Meoli & Vismara, 2019), up to a direct intervention such as offering skills, networking, and operational advice, or by providing business contacts to the entrepreneur (Brown, Mawson & Rowe, 2019).

As previously discussed, the utility of such active behaviours has been proven by past literature on VCs and angel investing, which has served as a starting point for subsequent research on equity crowdfunding behaviour (Di Pietro, Prencipe & Majchrzak, 2018). In fact, Wiltbank (2005) also proved that angel investors who participate in post-investment activities experience fewer negative exits, while Lumme et al. (1996) found that business angels who are excited and satisfied by their active role obtain better results than those powered by simple altruism. Active, knowledgeable investors who are willing to offer something more than just money can increase a start-up's likelihood of succeeding and repaying them.

Equity crowdfunders might also choose to adopt an active pattern of behaviour following their investments. However, their case may be only partially similar to that of BAs and VCs, and result in an active collaboration and cooperation between the start-up and the investors, without the aspect of a monitoring and controlling activity over the entrepreneur. In fact, due to their low investment rights, equity crowdfunders might be limited in their opportunities to control and monitor the company's management (Schwienbacher, 2019). For example, Di Pietro (2021) outlines how some entrepreneurs prefer equity crowdfunding over venture capital financing, because they value the autonomy and empathy that equity crowdfunders provide more than the value added by VCs. Nevertheless, the crowd might be interested in a collaborative/cooperative type of shareholder activism, which focuses on helping the firm and accessing information about it (Di Pietro, Prencipe & Majchrzak, 2018). Knowing about the firm's situation would also allow crowdfunders to make a more informed decision about any further investments in subsequent rounds, and so engage in follow-up equity crowdfunding campaigns undertaken by the same firm. Thus, in this case, shareholder activism would imply a constructive dialogue between the two parties, in the form of shareholder involvement.

Some evidence in the equity crowdfunding literature points towards the involvement of the crowd after the investment. Garaus, Izdebski and Lettl (2023) note that most members of the crowd engage in low-involvement activities like word of mouth, while a smaller subset of investors take part in high-involvement tasks like giving strategic advice. These activities are influenced by the investment, the investor, and proximity factors. Wald et al. (2019) report that some of the entrepreneurs they interviewed received advice or professional help from the crowd. Similarly, a qualitative study by Brown et al. (2019) claims that crowdfunding is a highly relational form of financing, while a few of the entrepreneurs interviewed said they had received support from their investors in terms of skills such as financial modelling and networking. The crowd can also act as brand ambassadors on social media and introduce new investors to the start-up (Di Pietro, Prencipe & Majchrzak, 2018). Thus, not only do active crowdfunders supply money, but they also try to engage with the start-up, "suggesting paths for the company and supplying their network scope and individual expertise" (Harrison, 2013, p.296). In a qualitative study conducted by Moritz et al. (2015), the six entrepreneurs interviewed stressed that roughly 10 per cent of investors actively seek to be involved and communicate on a personal level. Equity crowdfunders can also generate additional value for the start-up through useful proactive behaviours, including: introducing personal connections that could help the start-up to succeed, participating as a board member (if the investment warrants voting rights), or offering professional experience such as marketing consulting, etc. (Smit, 2020b). The crowd is heterogeneous and there is some evidence in the literature showing that equity crowdfunders can be active, if provided with the opportunity. A direct flow of information between entrepreneurs and equity crowdfunders can enable new opportunities and innovative ideas (Cumming, Vanacker & Zahra, 2021).

In conclusion, shareholder activism could play an important role in equity crowdfunding in the form of value-adding activities, as suggested by research on activism in the venture capital and business angel literature. However, due to the different contractual rights of the crowd, shareholder activism might only be achieved in the form of collaborative and cooperative involvement. In other words, equity crowdfunders may engage in value-adding behaviours in order to contribute to the success of the company, and to support the realisation of their investment motivations, if the entrepreneur is willing to accept their assistance. In accordance with prior equity crowdfunding research, the behaviour of the crowd is categorised into active or passive (Schwienbacher & Larralde, 2012), with passive behaviour indicating a lack of participation in value-adding activities.

5. Initial Conceptual Framework and Research Hypotheses

The earlier chapters of this thesis have delved into the fundamental concepts of investment motives and post-investment behaviours. The first empirical component of the study, presented in Chapter 7, aims to explore the potential relationship between these two constructs, as well as their eventual impact on the overall investment satisfaction of the crowd.

The first research phase was guided by the hypotheses derived from the research question: "What investment motives and behaviours characterise the crowd and how do they interrelate with investors' satisfaction from equity crowdfunding?" Specifically, the analysis of past literature suggests that the investment motives of the crowd play a critical role in determining their level of involvement with a start-up after investment. If, guided by their investment motives, investors endeavour to establish contact with the start-up or other investors, and are granted the opportunity to participate actively, they may create significant value. Consequently, their engagement is likely to enhance their overall satisfaction with the equity crowdfunding experience.

The above considerations serve as the basis for the initial conceptual framework proposed in this study, which is presented in Figure 2 in a chronological format (timeline). The chronological sequence delineates two primary phases within the investment process (Amatucci & Sohl, 2004). The initial stage, known as the pre-investment stage, commences at the point at which the campaign becomes accessible to the general public, and continues until potential investors make their investment decisions. Subsequently, the second stage, referred to as the post-investment/campaign stage, encompasses the period commencing at the successful culmination of the campaign, which marks the crowd's transition into shareholders, and extends until the eventual exit phase.

During the first stage, the investment motives of the crowd are evaluated within the framework proposed by Statman (2017) (utilitarian, expressive, and emotional investment motives), while in the second stage, the behaviour of the crowd as shareholders is examined through the lens of active versus passive behaviour, elucidating the extent of their involvement and participation, and consequent investment satisfaction. It is important to note that the model indicates a clear movement from investment motives to post-investment behaviours and, ultimately, investment satisfaction. In fact, motivation precedes action (Ryan & Deci, 2000), and investment behaviour is determined by an individual's investment motives (Lukkarinen, Wallenius & Seppälä, 2018). Additionally, dis/satisfaction is considered in terms of overall satisfaction obtained from the entire equity crowdfunding experience, given the investment motives and behaviours adopted. The model presented here is followed by the corresponding research hypotheses.

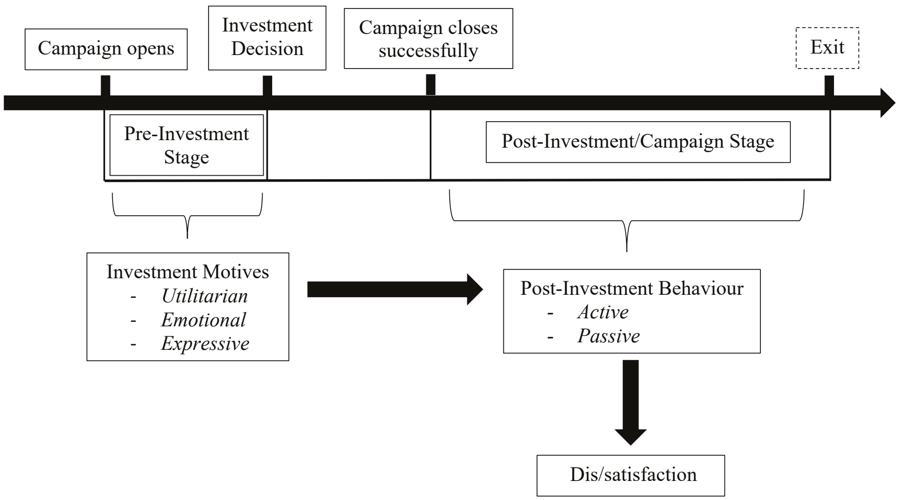


Figure 2.
Conceptual Timeline.

According to evidence from past research, it is hypothesised that it is very important for equity crowdfunders guided by emotional or expressive investment motives to be able to interact with the firm's management or other investors (Brown et al., 2018; Moritz, Block & Lutz, 2015; Wald, Holmesland & Efrat, 2019). In fact, such investors may be driven by a sense of social responsibility (Feola et al., 2019), using their investments as a means to support start-ups, and thereby deriving a sense of personal satisfaction and positive emotional engagement (Zhang et al., 2017). For these individuals, the act of investing may be not merely a financial transaction, but an opportunity to back a start-up with which they personally identify (Katzenmeier et al., 2019), whose mission or product resonates with them (Ordanini et al., 2011). Equity crowdfunders' decisions can be shaped by their desire to back entrepreneurs and their projects, nurturing innovation, and catalysing economic growth (Estrin, Gozman & Khavul, 2018). Furthermore, the crowd may desire to earn prestige or recognition as investors, gaining inclusion and respect within the investment community (Bretschneider & Leimeister, 2017; Collins & Pierrakis, 2012; Schwienbacher & Larralde, 2012). This need can drive investors to seek connections (Allison et al., 2015), initiating collaborations with the start-up and fellow investors (Di Pietro, Prencipe & Majchrzak, 2018).

As a consequence, if significant importance is assigned to expressive benefits, this could result in a high level of participation in the entrepreneurial process through online communities designed to interact with each other or with the entrepreneur, exchanging ideas and receiving public recognition (Reis et al., 2000). Expressive and emotional investment motives can lead the crowd to offer their professional experience, introduce personal network contacts, or actively promote the start-up on social media (Di Pietro, Prencipe & Majchrzak, 2018). In fact, evidence from Wald et al. (2019) and Brown et al. (2019) suggests that some entrepreneurs receive advice or professional help from crowdfunding investors, with active crowdfunders engaging in value-adding activities (Harrison, 2013; Moritz, Block & Lutz, 2015; Smit, 2020b). An additional emotional driver that may influence equity crowdfunders' investment decisions is the desire to contribute to the development of the entrepreneur's business idea, thus "inventing new products or services" (Cardon et al., 2013). Equity crowdfunders could find the entrepreneurial project very engaging and intriguing, and may want to become involved by supporting it financially and developing a relationship with the start-up community. The personal satisfaction of assisting in building successful ventures (Wetzel, 1983), with values shared by the investor (Statman, 2019) and the feeling of giving back and being part of a community (Wallmeroth, 2019), can be very important. Therefore, crowdfunders might engage in value-adding (active) behaviours to contribute to the success of the company, in line with their investment motivations.

These considerations led to the following Research Hypotheses:

H1a. Expressive investment motives are positively associated with active post-investment behaviours among equity crowdfunders.

H1b. Expressive investment motives are negatively associated with passive investment behaviours among equity crowdfunders.

H2a. Emotional investment motives are positively associated with active post-investment behaviours among equity crowdfunders.

H2b. Emotional investment motives are negatively associated with passive investment behaviours among equity crowdfunders.

It is important to emphasise that each hypothesis concerning investment behaviours proposed in this study is divided into two distinct components (a and b), each pertaining specifically to either active or passive behaviours. Despite the potential for these two behaviours to be mutually exclusive, they are not represented as a dichotomous/binary variable within this analysis. Instead, their nuanced disparities are explored through factor analysis, necessitating the existence of both sets of hypotheses.

In relation to the third pair of hypotheses, the crowd is traditionally considered to be driven by utilitarian investment motives and characterised by a low level of activism following investment. Ordanini et al. (2011), Collins and Pierrakis (2012), Cholakova and Clarysse (2015), and Zhang et al. (2017) all emphasise that investors in equity crowdfunding are primarily driven by the expectation of financial returns, while Block et al. (2018) and Hornuf and Schwienbacher (2018) also present a passive investment approach.

In fact, the previous literature has mainly thought of activism and the practices deriving from it as a responsibility of large investors, while past equity crowdfunding research has believed that small investors are unlikely to be interested in intervening in corporate activities when they possess only a very small percentage of the shares, with no additional rights (Collins & Pierrakis, 2012; Drover et al., 2017). For example, a case-study by Bessière et al. (2019) shows that, in the event of co-investment between equity crowdfunders (with no voting rights, through a nominee platform) and business angels (both through a dedicated platform and in single investments), business angels are the sole party taking an active role after the financing round is concluded. Hence, it should be noted that the governance structure of the equity crowdfunding platform used (e.g. nominee versus direct shareholding model), the shareholding composition, and the contractual investors' rights, such as voting rights, can strongly influence the involvement of the crowd in equity crowdfunding and their ability to influence the governance of the start-up (Cumming, Meoli & Vismara, 2019; Cumming, Vanacker & Zahra, 2021).

Since equity crowdfunders with utilitarian motives appear to have little opportunity to increase the likelihood of obtaining financial returns from their investment by directly influencing the start-up, the following hypotheses were derived:

H3a. Utilitarian investment motives are positively associated with passive investment behaviours among equity crowdfunders.

H3b. Utilitarian investment motives are negatively associated with active post-investment behaviours among equity crowdfunders.

Equity crowdfunders do not generally possess the same level of rights and privileges as institutional investors. Consequently, their ability to interact and engage with the entrepreneur may be limited, and subject to the inclination of the entrepreneur to facilitate such interactions (Schwienbacher & Larralde, 2012). In fact, the entrepreneur must be willing to accept the crowd's involvement in some instances, for such engagement to be possible. The entrepreneur plays a pivotal role in determining the extent to which the crowd can actively participate. Moritz, Block and Lutz (2015, p.320) found that entrepreneurs rarely use direct personal communication channels with crowdfunders, because "the investment stakes of investors in equity-based crowdfunding are, in many cases, not high enough to justify considerable investments in time and effort". The relatively low investment stakes of the crowd seem not to be worthy of entrepreneurial time. Engaging with new investors can be very time-consuming, and lead to "information congestion", which concerns the entrepreneurs (Brown, Mawson & Rowe, 2019; Cumming, Vanacker & Zahra, 2021).

Furthermore, the start-up's management team might not appreciate the support received due to the resulting administrative burden, finding activism detrimental or costly in terms of control, governance, and stewardship (Harrison, 2013). Entrepreneurs may also have concerns about losing control or may simply not desire external, unsolicited advice, which they perceive as unnecessary. In many cases, entrepreneurs may be hesitant to seek external equity financing due to the fear that they may lose their independence (Sapienza, Korsgaard & Forbes, 2003). Therefore, investors' willingness to interact, if any, may be seen as a negative aspect from the entrepreneurial point of view; therefore, even if investors offer assistance, entrepreneurs may refuse it (Hornuf, Schilling & Schwienbacher, 2020).

For this reason, and given the low level of rights of equity crowdfunders described in the previous literature, it could be hypothesised that those investors who (try to) engage in active post-investment behaviours find their expectations disappointed, due to a possible lack of entrepreneurial engagement. In contrast, “passive” investors, who have not actively sought engagement, may be less susceptible to disappointment. Hence, the following hypotheses establish a connection between post-investment behaviour and investors’ satisfaction:

H4. Active post-investment behaviours are negatively associated with overall investment satisfaction among equity crowdfunders.

H5. Passive post-investment behaviours are positively associated with overall investment satisfaction among equity crowdfunders.

To conclude, the previous literature has reported mixed results in relation to the post-investment activity of the crowd. This situation is further complicated by the diverse characteristics of equity crowdfunders, including variations in their investment experience, competence, and motivations. Additionally, the singularity of the relationship that the crowd can develop with the entrepreneur introduces another layer of complexity, which is influenced by the objectives of the entrepreneurs when conducting a crowdfunding campaign. In fact, some entrepreneurs may choose to conduct a campaign simply in order to secure funds, while others may view the crowd as a valuable source of knowledge, capabilities, and connections (Di Pietro, Prencipe & Majchrzak, 2018; Schwienbacher & Larralde, 2012), and hence may encourage the crowd’s involvement.

Existing studies exploring the interactions between the crowd and entrepreneurs have predominantly focused on the perspective of the entrepreneurs, often utilising interviews (Brown, Mawson & Rowe, 2019; Di Pietro, Prencipe & Majchrzak, 2018; Moritz, Block & Lutz, 2015; Wald, Holmesland & Efrat, 2019). This study, however, uniquely concentrates on the crowd’s perspective. It aims to contribute to the literature by building a connection between investment motives and post-investment behaviours, and determining whether the two relate to investors’ satisfaction and their intention to invest in equity crowdfunding again.

6. Research Methodology

This research project is guided by the ambition to encompass the entire investment experience of equity crowdfunders. The research question examines different phases of the process, looking for a connection between investment motives (pre-investment phase), investment behaviours (pre- and post-investment), and the crowd's dis/satisfaction with the overall experience, and finally the problems associated with an eventual dissatisfaction in relation to the initial investment motives. The chosen methodology, mixed-methods research (Creswell, 2014), reflects such movement. This chapter presents the research methodology implemented, and the reasons behind it. The subsequent chapters present the different phases of the process and describe the two main stages of data collection and analysis undertaken: a survey and a netnography analysis. The questionnaires collected during the first phase of the research process were utilised to test the conceptual framework presented in Chapter 5 and address the research hypotheses. The second stage of data collection and analysis deepens the topic by treating it through a digital ethnography (netnography) process: the analysis of online comments from an equity crowdfunding forum.

6.1 Mixed-Methods Research Design

Bessière et al. (2019) write that crowdfunding is a very recent arrival on the entrepreneurial finance market. Experimentation is far advanced, but there is no stable crowdfunding model as a sole reference point. This state requires further action by researchers to both identify new constructs and deepen our understanding of past findings about the crowd, while also reaching a definite agreement about the knowledge acquired, and reconciling any inconsistencies or contradictions (Edmondson & Mcmanus, 2007). Parhankangas, Mason and Landström (2019, p.14) also emphasise that: "it is timely to synthesize our knowledge, and identify surprising or conflicting results" in crowdfunding research. Such a synthesis is vital, particularly as the literature review conducted on equity crowdfunding studies has outlined mixed findings and a possible lack of nuanced data regarding the equity crowd. Concurrently, Dushnitsky and Zunino (2019, p.46) have called for a solution to the current "dearth of evidence", determined by undertaking privileged quantitative studies on a single platform. These statements support the need for a comprehensive understanding of the existing landscape.

Guided by these findings and insights, when deciding upon the research design I was influenced by the principle of *methodological fit*, and therefore of consistency between the research question, the state of prior studies, and the research design (Edmondson & Mcmanus, 2007). As a result, I opted for a mixed-methods design, a choice informed by the abovementioned considerations and the complexities of the current state of crowdfunding research.

Mixed methods are generally defined as including "at least one quantitative method (designed to collect numbers) and one qualitative method (designed to collect words), where neither type of method is inherently linked to any particular inquiry paradigm" (Greene, Caracelli & Graham, 1989, p.256). Hence, they involve: "the collection of both qualitative (open-ended) and quantitative (closed-ended) data in response to research questions or hypotheses", and the analysis of both types of data (Creswell, 2014, p.266). The use of a mixed-methods design also presents limitations and challenges. Foremost among these is the versatility required of the researcher or research team in both methods, because the quality of the analyses of both qualitative and quantitative components inextricably limits the outcomes obtained. Consequently, any weakness in the development, analysis, or resourcing of either component can have deleterious consequences for the entire study (Halcomb, 2019). Furthermore, Bryman (2014, p.125) argues that, for the successful implementation of such methods, there is a special need for transparency, as in "a clear articulation of the phases of the research", and that the methods should be clearly linked to the research questions and demonstrate the need for their application. The likely relationship between the two components needs to be specified, as well as their integration. While the link between the research question and the two empirical phases of the study was explained in Chapter 1, the following sections answer Bryman's (2014) call for transparency about the overall implementation of the two methods.

In this case, the study was conducted in two steps: a first quantitative stage, consisting of questionnaires, and a second qualitative one, conducted through a netnography analysis. Given the choice of these two methods, their sequential application, and the research questions that drive the study, the overall design characteristic of the study is that of complementarity: "in a complementarity mixed-method study, qualitative and quantitative methods are used to measure overlapping but also different facets of a phenomenon, yielding an enriched, elaborated understanding of that phenomenon" (Greene, Caracelli & Graham, 1989, p.258). A complementarity typology seeks "elaboration, illustration, enhancement, and clarification of the findings from one analytical strand with results from the other analytical strand" (Onwuegbuzie & Combs, 2015, p.18).

In this project, the survey analysis was employed first in order to reduce and relate the investment motives of the crowd (pre-campaign phase), the behaviour followed once the campaign is over and the investment has taken place, and the level of satisfaction obtained by the crowd so far. Survey analysis is suitable to research these topics because there is already a developing body of literature on the subjects of investment motives and behaviours in equity crowdfunding.

However, the research also revealed mixed results and a need to systematise the knowledge collected in relation to investment motives, as well as a need to move beyond purely qualitative studies interviewing entrepreneurs about the post-investment behaviours of the crowd (Mochkabadi & Volkmann, 2020). Furthermore, the literature review also revealed the possibility of unexplored relationships between the three variables of motivation, post-campaign behaviour, and satisfaction in equity crowdfunding. Hence, considering the principle of methodological fit once again, but at the level of individual methods, survey analysis is particularly suitable as a first step in this research, because it allows us to both generalise and test new relationships (Creswell, 2014).

Nonetheless, it is recognised that quantitative analysis can hardly reach the level of depth obtainable through a qualitative analysis, and that qualitative methods are often used when conducting research on a subject about which there is little knowledge (Tashakkori & Teddlie, 2010). In this case, the second empirical phase aimed to deepen and expand the findings of the first, and this process led to the examination of a topic about which little is known: the challenges or problems faced by the crowd during their investment activity and whether these might relate to the crowd's investment motives or behaviours. Furthermore, the behaviour of the crowd is considered at both the campaign and post-campaign stages. These themes had not been considered before the start of the empirical phase, but emerged naturally from the data as a result of the analysis. The chosen analytical method is that of netnography, which was implemented through the analysis of online comments posted by equity crowdfunders.

Netnography is “a portmanteau combining network, internet and ethnography” (ed. Kozinets & Gambetti, 2021, p.26), it is a frame that enables research to understand social interactions in the context of digital communication, such as social media. Today, people are constantly connected to the internet through a range of devices (Heinonen & Medberg, 2018), and in the case of equity crowdfunding, the entire investment process takes place online. Hence, the use of netnography is appropriate when unravelling topics such as the issues faced by the crowd and any consequent, potential investment dissatisfaction, because it allows us to research the topic of study in the investors’ natural environment, without directly influencing it. Netnography allows the researcher to remain at a distance, while still engaging with rich and complex data (Kozinets, 2015).

To conclude, given the research question, the design, and the state of prior studies (Edmondson & Mcmanus, 2007), mixed-methods research is particularly suited to exploring the topics presented. A hybrid strategy increases the validity of the study because it allows us to test the identified relations through the use of both qualitative and quantitative analysis, uncovering new findings and filling potential knowledge gaps (Yauch & Steudel, 2003). The application of a mixed-methods approach is beneficial because it provides a more complete picture of equity crowdfunding: “mixed methodologists present an alternative to the QUANT and QUAL traditions by advocating the use of whatever methodological tools are required to answer the research questions under study” (Teddlie & Tashakkori, 2009, p.7). The “either-or” choice being practised when choosing either quantitative or qualitative research is rejected, and rather a “methodological eclecticism” is privileged, which synergistically integrates the more appropriate techniques provided by the two methods (Tashakkori & Teddlie, 2010, p.6). Mixed methods allow researchers to confirm and construct theory, and they complement each other’s strengths and weaknesses, as the reality is plural and unknown (Byrne & Humble, 2007). The next sections provide key details about the first stage of data collection: the pilot study and the survey circulated among equity crowdfunders, its aim, and the methodological steps followed during its creation.

6.2. Pilot Interviews

The formulation of the survey was preceded by an analysis of relevant past literature findings and a pilot study. The literature review gave birth to the research topic, the first draft of the research question, and the survey. The pilot study was then used to inform the subsequent drafts of the survey and refine the questions and answer options provided until the final version of the questionnaire was reached. Hence, the pilot study had the scope of both integration and validation of the survey. It consisted of interviews designed to obtain additional data that could be used to develop the answer options to be presented to the survey respondents.

The pilot study consisted of six interviews with current and ex-equity crowdfunding investors (three written interviews, three via Skype) and two interviews with entrepreneurs who had conducted equity crowdfunding campaigns on the UK platform Crowdcube (one written, one via Skype). The interviewees were randomly selected and contacted through social media (LinkedIn, blog, forum). The entrepreneurs were interviewed about their experience of equity crowdfunding and their relationship with the crowd. One of them is also an investor. The interview guide for the pilot interviews is included in Appendix A and presents questions regarding the investment motives of the crowd, their role at the conclusion of the campaign, and the satisfaction they derived from their investment activity. Relevant quotes that were used to develop some of the answers provided in the survey are presented in Appendices C and D.

6.3 Survey

6.3.1 Survey: Sources of Data

To gather the data necessary for the study, a survey was conducted of equity crowdfunders who: 1) invest or used to invest on 2) platforms in the United Kingdom. Firstly, the data collected came from both current investors and investors who have temporarily or permanently stopped their investment activity. In light of the high-risk nature of equity crowdfunding, and the findings presented in previous chapters regarding the perceived lack of financial returns, the decision to include both current and former equity crowdfunding investors was made in order to avoid potential bias in the analysis. This approach ensures that the survey captures data from all possible categories of equity crowdfunding investors, including serial, occasional, repentant, hesitant, happy, and dissatisfied investors. In fact, only opening the survey to current investors might have potentially limited the analysis to those who are currently satisfied with equity crowdfunding. However, since satisfaction is a dependent variable in the subsequent general structural modelling analysis, it was essential to allow respondents from both current and former equity crowdfunding investors to participate in the survey.

Secondly, the decision about the country of investment to be considered was guided by three criteria: the relevance of the country in terms of equity crowdfunding volume, the regulatory framework, and the language spoken (in this case, English). The choice was particularly important because the context of equity crowdfunding varies considerably in terms of regulations and the investment incentives offered to investors (Di Pietro & Butticè, 2020; Moritz, Block & Lutz, 2015). In fact, specific regulations such as tax benefits might have a strong impact on the investment motives and expectations of the crowd, as well as on the level of returns that they could objectively obtain. Hence, the geographical and regulatory environment needs to be considered during the research (Wallmeroth, 2019). The choice naturally landed on the United Kingdom because 68% of European equity crowdfunding transactions take place there (Ziegler et al., 2019). Furthermore, UK regulation is particularly interesting due to the high tax incentives the country provides to investors. The UK also presents a form of equity crowdfunding that has always been largely free of hybrid forms of equity and debt instruments, which were very common in other countries in previous years. For example, the German equity crowdfunding market is one of the largest in terms of size in Europe, but for a long time it should have been more properly referred to as crowdinvesting (Hornuf & Schmitt, 2016), because German issuers mostly used "subordinated profit-participation loans and silent partnership agreements" instead of common equity, due to the high transaction costs (Hornuf, Schilling & Schwienbacher, 2020, p.10). In recent years, this situation has started to change, with some platforms beginning to offer equity shares as well. For example, Companisto (Germany) initiated its first equity investment solely offered to its Angel Club in 2019. Other countries were excluded from the survey due to potential language barriers when conducting the survey in English. Additionally, no other European market is comparable in size to the UK market.

The United Kingdom provides the two most successful equity crowdfunding platforms, which, as previously stated in Chapter 2, also provide two primary deal structures: direct shareholding and nominee shareholding. The choice of data sources was therefore also determined by the willingness to collect the points of view of investors active on both types of platform: Crowdcube and Seedrs. Gathering data from multiple respondents across diverse platforms enriches our knowledge of the context and constructs internal validity (Estrin, Gozman & Khavul, 2018). For example, the nominee structure strongly influences the post-investment phases by acting as a trustee and managing investors' votes (Rossi, Vismara & Meoli, 2019).

The survey was shared on two UK equity crowdfunding forums (online discussion groups): *Freetrade*[1] and *ECF.BUZZ*[2]. This convenience sampling approach is justified for various reasons. Firstly, prior research has noted that it is often difficult to acquire information on crowdfunders from platforms due to the necessity of asking them for proprietary data (contact form) about their registered users (Schwienbacher, 2019; Wallmeroth, 2019). Instead, sharing the surveys on online forums enabled direct contact with investors, thus gaining access to unique populations. In fact, many communities and groups only exist in cyberspace, but this allows a researcher to gain "access to people who share specific interests, attitudes, beliefs, and values regarding an issue, problem, or activity" in a concentrated space (Wright, 2005, n.p.).

Another advantage of collecting data without the mediation of the platforms is the possibility of obtaining varied data, not influenced by the respondents' use of one specific platform. In fact, one of the issues that has been highlighted in past research is the lack of studies exiting the singular platform domain (Mochkabadi & Volkmann, 2020). Furthermore, sharing the survey on an independent forum also allowed the content of the survey to be free from the potential influence of the platform itself. In addition, the respondents might not have felt comfortable about replying if they thought the platform had access to their answers; hence, the source selection attempted to avoid the common issue of low rates of return (White & Dumay, 2017).

Finally, equity crowdfunding is an online tool itself, which investors must be comfortable with in order to trust the investment process, as they are investing their savings. Given this necessary familiarity with online tools, it was anticipated that investors would be comfortable using social media platforms to inform their investments. For example, past research has determined that investors use online communities on social media as a way to reduce information asymmetry and validate their investments (Vismara, 2016). Forums are particularly useful to crowd-investors who wish to be informed about what other investors think of specific deals or to ask directly for advice.

However, potential disadvantages in the use of online surveys include self-selection bias, since "in any given Internet community, there are undoubtedly

[1] https://community.freetrade.io

[2] https://www.ecf.buzz/

some individuals who are more likely than others to complete an online survey" (Wright, 2005, n.p.). There is the possibility of receiving a larger number of replies from those who are either very satisfied or completely opposed to equity crowdfunding, because they have more incentive to provide their opinions on the matters under discussion. The selection of the online community itself could also lead to bias, if respondents were to share unknown similarities which determine their belonging to it. This issue was limited by the selection of two very popular online communities.

While there are no clear figures regarding the number of forums dedicated to equity crowdfunding, Freetrade and ECF.BUZZ are the most visible when conducting an online search on equity crowdfunding and UK forums, because they are significantly more active than others. In fact, eight public forums were considered for the analysis but were not used due to the extremely low activity (level of interaction) of their members.

The forum Freetrade counts around 18,000 users (the active monthly users vary, but were around 2,000 at the time of the survey) and it is the biggest UK equity crowdfunding forum community (Freetrade, 2022). Freetrade is an established company that has conducted various equity crowdfunding campaigns in the UK. The entrepreneurial team opened the forum to remain in contact with investors, but because the start-up successfully raised important amounts of capital from many individuals, its dedicated forum has become incredibly popular in the UK equity crowdfunding community. A large number of equity crowdfunders who have not invested in Freetrade participate in the discussions; for example, the third biggest thread (conversation) on the forum is an ongoing discussion about another equity crowdfunded company: now unicorn. Hence, the topics discussed by users cover a wide range. The forum even includes threads on investments beyond equity crowdfunding, such as stock investments, as well as other, non-investment-related topics. The forum is free, open, and public, anyone can read the comments posted, ensuring access for anyone interested in the topics being discussed.

The second forum chosen, ECF.BUZZ, is of a different nature, size, and scope. To the best of my knowledge, it is the UK's leading blog on equity crowdfunding matters and serves as both a blog and a forum. It was created with the remit of helping current or potential equity crowdfunding investors to face the omnipresent issue of information asymmetry, providing knowledge ranging from the current state of equity crowdfunding to regulations, and even guides on company valuations and liquidation. The blog provides opinion articles, a library of resources, and a unique database "of over 1300 companies that have used equity crowdfunding in the UK since 2011 and offers a record of what they have gone on to achieve" (Brown, 2016, n.p.). To access all of these resources, there is a fee of £3 per month. The forum of ECF.BUZZ is smaller than that of Freetrade, but the blog features over 1200 articles, which include pieces written by Business Angels and VC investors, tax professionals and enterprise journalists, and has around 1000 weekly readers. Hence, these two forums – Freetrade and ECF.BUZZ – were selected because they are representative of two potentially different communities, and due to their respective importance for the UK crowd.

6.3.2 Survey: Design and Structure

As previously described, the development of the survey instrument involved an examination of pertinent scholarly literature and a pilot investigation. The review of literature served as a foundation for determining the research topic, formulating research inquiries, and constructing an initial draft of the survey. Subsequently, the pilot study, presented in Section 6.2, was utilised to refine the survey items and responses.

The developed survey was also subject to two additional rounds of pilot testing, the first with three academics from the field of entrepreneurship, and the second with a subset of five equity crowdfunding investors. The five contacts were obtained using a snowball sampling technique, where initial contacts from the pilot interviews referred them. The respondents represented different nationalities, which is characteristic of the users of UK platforms; hence, the rounds of testing were particularly useful to clarify possibly ambiguous terms and simplify the answers provided in the survey.

Upon opening the questionnaire, the respondents were greeted by the headline presented in Appendix B, at the beginning of the survey. This headline sought to explain the scope of the survey, underline the importance of the respondents' participation, specify its focus on the UK, and clarify any potential doubts about the terminology used. This text was followed by the first question, which aimed to categorise the respondents into equity crowdfunding investors, ex-investors, or people who had never invested in equity crowdfunding. If the latter answer was selected, the respondent was directed to the end of the survey, where a thank-you message explains that the survey is not aimed at them, but invites them to leave their email address if they are interested in receiving the final study. By including this third answer option, the study was able to filter out individuals who were interested in the topic, but not pertinent to the analysis, without jeopardising the integrity of the final data. Eight respondents belonged to this category.

The entire survey is provided in Appendix B, while the following Appendices C and D provide examples of the literature references and interview quotes from the pilot study used for its design. The survey questions can be divided into four main areas: three main questions on investment motives, post-investment behaviours of the crowd, and investment satisfaction, while the fourth addresses demographic and investment background queries. When replying to the questions, the investors are asked to consider their entire investment activity, and thus to target their "investor-level" behaviour, rather than a single "investment-level" activity (Wallmeroth, 2019, p.278).

As previously described, the question regarding investment motives is framed by the behavioural finance framework, based on utilitarian, expressive, and emotional investment motives (Statman, 2017). All the items proposed in the survey have a foundation in the previous literature on equity crowdfunding and references to its antecedent angel financing literature, on which those studies were based (Allison et al., 2015; Bretschneider & Leimeister, 2017; Cholakova & Clarysse, 2015; Collins & Pierrakis, 2012; Di Pietro, Prencipe & Majchrzak, 2018; Estrin, Gozman & Khavul, 2018; Feola et al., 2019; Hornuf, Schmitt & Stenzhorn, 2018; Katzenmeier et al., 2019; Mason & Harrison, 2002; Moysidou, 2017; Ordanini et al., 2011; Schwienbacher & Larralde, 2012; Wallmeroth, 2019; Wetzel, 1983; Wright, 2017; Zhang et al., 2017). These studies were discussed in Chapter 3. Furthermore, the items have been developed and refined in line with the responses to the pilot study.

The items on investment motives are presented in Appendix C, with the relevant literature references and quotes from the pilot study. The variables were measured on a 5-point Likert scale (1=Strongly disagree; 2=Disagree; 3=Neither agree nor disagree; 4=Agree; 5=Strongly agree). As can be seen in Appendix C, the number of items associated with each category of utilitarian, expressive, and emotional motives vary. This is because the number is determined by the application of Statman's (2017) framework to previous literature, the pilot study, and to the characteristics of equity crowdfunding itself. The answer options provided for the survey respondents are intended to be exhaustive and relevant.

With regard to the question about post-investment behaviours, only equity crowdfunding studies were used as a reference to develop these items (Blaseg, Cumming & Koetter, 2021; Block, Hornuf & Moritz, 2018; Brown, Mawson & Rowe, 2019; Di Pietro, Prencipe & Majchrzak, 2018; Hornuf, Schilling & Schwienbacher, 2020; Moritz, Block & Lutz, 2015). The underlying concepts are guided by the literature on shareholder activism, the value-added activities of equity providers, and the distinction between active and passive behaviours made in the context of equity crowdfunding (Schwienbacher & Larralde, 2012) presented in Chapter 4.

The study by Di Pietro et al. (2018) was used as a literature model for active behaviours, as the interviewed entrepreneurs outlined various post-investment activities in which crowd-equity investors engage, broadly summarised as: product co-creation, strategic and market knowledge, access to networks, and increasing public awareness. Other studies, addressing passive behaviours, were also considered (Blaseg, Cumming & Koetter, 2021; Block et al., 2018; Hornuf, Schilling & Schwienbacher, 2020). The data collected from the pilot study supported the above studies and was once again employed to help in the creation of answers. The answers were measured on a 5-point Likert scale representing the frequency of a behaviour (1=Never; 2=Rarely; 3=Sometimes; 4=Often; 5=Always) and are presented in Appendix D.

Finally, in order to determine whether the crowd deems the investments made so far to be worth the risks taken (Cumming, Vanacker & Zahra, 2021), the variable "satisfaction" was obtained from the survey by asking investors to answer the question: "Given your past equity crowdfunding investment experience, will you keep investing?" This variable was coded using a 3-point Likert scale. In fact, one of the remedies against common method bias (a potential source of error in survey research where independent and dependent variables are obtained from the same survey) is the elimination of common scale properties between dependent and independent variables (Podsakoff et al., 2003; Podsakoff, MacKenzie & Podsakoff, 2012), which are measured on a 5-point Likert scale in the survey.

In terms of satisfaction (the main dependent variable), each point/value of the scale corresponds to two possible answers, which were developed in light of the pilot study:

- Value 1 represents dissatisfied investors, hence the ones who originally classified themselves as "Ex-Investors", and the investors who replied: "I am not satisfied with the experience and I want to stop investing".
- Value 2 corresponds to a neutral category of undecided investors, who selected the answers: "I do not know" or "I am on a break, waiting for results before investing again".
- Value 3 consists of currently satisfied investors, who want to keep investing, and replied: "It is too soon to know, but I will keep

investing" or "I am satisfied with my ECF experience and I will keep investing".

Each value purposely corresponds to two options because the coding objective was to clearly divide ex-investors and dissatisfied investors (Value 1), from the group of undecided investors (Value 2), and satisfied crowdfunders (Value 3). Furthermore, one of the two alternatives given for each of Values 2 and 3 is clearly linked to utilitarian motives and the need for financial results before deciding whether they are satisfied, while the other answer is more general.

Demographic and background questions include age, gender, and country of residence of the respondents, as well as the equity crowdfunding platform/s they have used, and relevant education and work experience. These questions were used to collect control variables to be used in the analysis, in line with previous research. Past literature on informal investors has often differentiated them according to investment activity, i.e. the amount invested and investment competence (Sørheim & Landström, 2001). Consequently, both education level and work experience have been taken into account when considering the investors' competence. The respondents were asked to provide the highest level of education obtained (Feola et al., 2019; Lukkarinen, Wallenius & Seppälä, 2018), and whether they have specific education or work experience that could be relevant to their ability to select investments and/or potentially collaborate with the start-up after the campaign.

In line with the study by Collewaert and Manigart (2016) on angel investing, the following variables were included: if the investors had obtained a university business or engineering degree, and if they had worked professionally in finance or had experience as an entrepreneur/start-up founder. Respondents' investment experience was measured by using the year in which they first started investing in equity crowdfunding and the number of investments made up to that moment (Collewaert & Manigart, 2016; Zhang et al., 2018). The survey also asks respondents to state the average amount invested per deal (Lukkarinen et al., 2016) and the percentage (%) of their total portfolio of financial assets invested in equity crowdfunding. These are proxies for investors' risk profile drawn from the past studies on behavioural finance and equity crowdfunding previously outlined (Estrin, Gozman & Khavul, 2018; Mochkabadi & Volkmann, 2020; Pan & Statman, 2012; Statman, 2009).

To conclude this methodological segment on survey analysis, the next section presents the factor analysis, multiple regression analysis, and general structural equation model (GSEM), the three main analytical methods used during the analysis of the questionnaires.

6.3.3 Survey: Data Collection

The questionnaire used in this study was created using the licensed Lund University online survey tool *Artologik* and it was open for responses in two stages, from 15 November 2021 to the end of that month, and again after the Christmas vacation period, from 15 January to 15 February 2022. The survey link was posted as a new thread on both forums after receiving approval from the community moderators. The decision to open the survey for answers twice was due to the need to attract a larger number of respondents, and because of the visibility settings of the forums. New threads need time to become visible to many users, and their visibility increases if the post receives comments or likes, but it diminishes as more time passes and new threads are created, "hiding" older ones. Furthermore, users are less responsive during vacations, so I avoided opening the survey during the Christmas period. The responses were checked for non-response bias using later responses. Specifically, proportions related to investment motives, behaviour, and satisfaction were compared between the two groups: those who replied before Christmas and those who replied after. No significant differences were observed.

To prevent the possibility of receiving duplicate responses by mistake, the survey settings were programmed to allow only one submission per computer/device. To incentivise interested people to respond, they were offered the opportunity to receive the final research study via email. As a support to the importance of the study itself, almost a third of the respondents left their email addresses and various investors left positive comments after completing the survey, expressing their interest in the research and its relevance to the field of equity crowdfunding. In line with best practice, all the participants were assured of anonymity and confidentiality (Miles, Huberman & Saldana, 2014; Podsakoff et al., 2003).

The survey received a total of 254 answers, eight of which fell into the third category of respondents who are interested in the study but do not invest in equity crowdfunding. Of the remaining 246: 140 answers were received through the forum Freetrade where, given approximately 500 total views, the response rate was particularly high. The questionnaire circulated via ECF.BUZZ received 106 responses, but the number of views is not available due to the forum's settings. The survey setting was arranged in such a way that respondents were obliged to provide an answer to each question, thereby ensuring that only completed questionnaires were gathered for analysis. Nonetheless, in order to encourage candid and reliable responses, participants were granted the freedom to select the response option "I prefer not to answer" if they deemed it appropriate for given questions.

Following a thorough reliability analysis, all 246 responses were deemed logical and consistent, and were therefore utilised in the study. The responses exhibited significant variability, with no participant randomly filling in the answers by consistently favouring a unique response option on the Likert scale; while response patterns featuring only minor alterations were manually examined to ensure their logical consistency (Meade & Craig, 2012). In order to avoid common method bias, several measures were implemented (see Table 1). Common method bias can be a potential source of error in survey research where independent and dependent variables are obtained from the same survey; in such cases, the variance observed in the responses is caused by the measurement method employed rather than the underlying construct being represented (Podsakoff et al., 2003; Podsakoff, MacKenzie & Podsakoff, 2012).

Table 1.
Remedies undertaken against common method bias (based on Podsakoff et al. 2003, 2012).

Remedy and rationale	Implementation
Procedural Remedy	
Protecting respondent anonymity	Respondents' anonymity is ensured and they have the option to not answer any of the demographic questions asked.
Reducing item ambiguity	The survey has been subject to two rounds of testing with academics from the field of entrepreneurship and a subset of equity crowdfunding investors. This enabled the discovery of ambiguous or sensitive questions and answers and these were reformulated.
Proximal separation between independent variables and dependent variables	The survey separates the question related to the evaluation of the crowd's satisfaction and future investment intention (dependent variable) from the independent variables' questions, on a different questionnaire page. Furthermore, the order of the answers related to independent variables was randomised, to create distance among items measuring related constructs.
Eliminating common scale properties	All the main independent variables are measured on a Likert scale from 1 to 5. The dependent variable is measured using a Likert scale from 1 to 3, and the model was also statistically tested by transforming the dependent variable into a dummy (1=satisfied, 0=undecided/not satisfied) and there was no difference among the relationships outlined (see Appendix G for results on the analysis conducted with the substitution).
Obtaining measures of independent and dependent variables from different sources	This procedure was not applied, as its implementation is deemed not appropriate when both dependent and independent variable capture an individual's feelings, perceptions, judgements, or beliefs, as in the present study.
Statistical Remedy	
Harman's single-factor test	The data passed the test, no single factor emerged and the total variance extracted by one factor did not exceeds 50%

when all the independent items were entered together into the unrotated factor analysis.

6.3.4 Survey: Analytical Methods Employed

In order to conduct a comprehensive statistical analysis, the two distinct sets of items pertaining to investment motives and post-investment behaviours were first subjected to factor analysis reduction to extract the underline constructs. Subsequently, multiple regression analysis and the general structural equation model (GSEM) were employed to explore the relationships between the two sets of variables. The data analysis was conducted in three primary stages, commencing with the application of two factor analyses to create constructs of the crowd's investment motivations and their post-campaign behaviours. The scores for these constructs were subsequently incorporated into the multiple regression analysis and the final GSEM to investigate potential associations between investment motives, post-campaign behaviour, and satisfaction with equity crowdfunding.

"Factor analysis is an interdependence technique whose primary purpose is to define the underlying structure among the variables in the analysis", and is often used before structural equation modelling (Hair et al., 2014, p.92). Factor analysis is a statistical method that can be employed to mitigate the complexity of survey data by generating highly interrelated sets of variables, referred to as factors. This technique is particularly useful when dealing with a large number of variables derived from a questionnaire. Ideally, factor analysis should be conducted on continuous variables; however, it can also be applied to ordinal data measured using a Likert scale (Carifio & Perla, 2008; Norman, 2010).

The factors obtained from this analysis were subsequently utilised in a multiple regression analysis and the structural equation model to ascertain potential relationships between equity crowdfunding investment motives, post-campaign behaviours, and overall satisfaction from equity crowdfunding, as hypothesised in Chapter 5.

Multiple regression analysis "is the use of two or more independent variables in the prediction of the dependent variable", and is a commonly used approach that provides researchers with both predictive and explanatory capabilities (Hair et al., 2014, p.162).

Structural equation modelling is a comprehensive statistical method that can incorporate various techniques, such as canonical correlation, factor analysis, and multiple regression. It allows for the inclusion of a number of latent and directly observed variables, as well as independent and dependent variables, with the primary goal of exploring the relationships among numerous variables (Tabachnick & Fidell, 2019). It is important to note that SEM is a confirmatory technique that is predominantly utilised to test a pre-existing theory or hypotheses. Therefore, prior knowledge or assumptions regarding potential relationships between variables is necessary (Tabachnick & Fidell, 2019). In this study, GSEM was implemented to simultaneously validate the hypotheses formulated in Chapter 5. The utilisation of GSEM has emerged as a potent tool for estimation in instances where the dependent variable is categorical, such as the variable measuring overall satisfaction levels of the surveyed equity crowdfunders. As a consequence of the dearth of post-estimation diagnostic tools available for the validation of the GSEM model (Stata, 2023), the analysis was preceded by the use of regressions to first test the sought-after relationships individually.

This section has provided an account of the various methods employed to collect and analyse data during the first empirical phase of this study, including a description of the statistical analyses used to explore potential relationships between variables of interest. The chapter is now concluded by introducing the second phase of empirical analysis: netnography.

6.4 Netnography

The subsequent phase of the investigation consists of a qualitative study utilising the netnography frame, with the purpose of enhancing and supplementing the outcomes obtained from the previous survey analysis. The analysis is intended to gradually divert attention away from the entrepreneur to the crowd and their attributes, thus fulfilling the demand for a supplementary understanding of the crowd (Mochkabadi & Volkmann, 2020). Therefore, it presents a logical continuation of the survey-based analysis.

Netnography is a qualitative research approach to social media data developed during the 1990s, which draws inspiration from ethnographic research techniques, adapted to online conditions (Kozinets, 2015). In summary, netnography entails that the research conducted is grounded in “data shared freely through the Internet and its many devices, including mobile phones, tablet computing devices, laptop and desktop computers, and their many software applications” (Kozinets, 2016, p.1). Ethnography is “a design of inquiry coming from anthropology and sociology in which the researcher studies the shared patterns of behaviours, language, and actions of an intact cultural group in a natural setting over a prolonged period of time" (Creswell, 2014, p.42). Therefore, despite the link between ethnography and netnography, the latter is less time consuming or resource intensive, because the data is already presented in written form, and allows researchers to distance themselves from its production (Bertilsson, 2014).

The same advantage or disadvantage applies when contrasting netnography with the first analytical approach utilised in this document; namely, the questionnaire. In fact, in contrast to the survey, the collection of online data is conducted from a "complete observer position", and thus in an unobtrusive way, freed from the direct researcher's presence, who can then observe "naturally occurring talk and interactions", enabling the generation of novel perceptions (Bertilsson, 2014, p.4).

Furthermore, the choice of conducting a netnographic analysis and using forum data was made after considering the nature of equity crowdfunding, which does not usually involve direct contact between investors and/or entrepreneurs, but consists entirely of online interactions. In equity crowdfunding: "communication is replaced by pseudo-personal communication … via videos, social media messaging and investor relations channels" (Yasar, 2021, p.10). Online conversations are one of the few ways by which equity crowdfunders can reduce the problem of information asymmetry, and so the uncertainty that characterises investing in start-ups, because they allow the crowd to develop communities and exchange opinions (Vismara, 2016). Consequently, online data and communities present a fruitful avenue for researchers.

Netnography is a research process that requires five key steps: definition of the object of study and research question, identification and selection of the community or site, observation and data collection, data analysis and interpretation, and writing and presentation of the findings (Bertilsson, 2014).

The initial step has been thoroughly undertaken in the earlier chapters of the present document, and this chapter addresses the second and third stages. The fourth and fifth stages are examined in Chapter 8, guided by the thematic analysis of Braun and Clarke (2006). In fact, Reid and Duffy (2018) advocate the use of thematic or content analysis as an effective method for categorising netnographic data.

6.4.1 Netnography: Source of Data

The process of identification and selection of the community to be targeted for the analysis of online comments by equity crowdfunders led to the choice of the UK forum Freetrade, or *community.freetrade*[3], as the preeminent source of data. This forum was previously introduced in Section 6.3.1 as one of the sources of data collection for the survey. In addition to the characteristics previously outlined, the selection of Freetrade was based on several key factors.

Firstly, the forum is unparalleled in both the abundance and depth of commentary pertaining to the subject of equity crowdfunding among online communities. To the best of my knowledge, it represents the largest equity crowdfunding community in the United Kingdom. The community boasts a significant and active user base that engages in vibrant discussions and debates on a wide range of topics related to equity crowdfunding. This dynamism is crucial for the generation of insightful and relevant data for the present study.

Secondly, the forum itself shows a firm commitment to promoting accountability through the implementation of active moderation to prevent misinformation and abusive behaviour, which ensures the quality of data collected. Finally, it is important to consider the nature of the data collected (Kozinets, 2015), and the Freetrade forum is openly accessible, which facilitates ease of data collection and analysis. In fact, it is noteworthy that the community is a free, open, and public site, meaning that anyone can access the comments written, which are posted under chosen nicknames. This openness ensures that the community is accessible to anyone interested in the themes being discussed, promoting transparency and inclusivity, while ensuring anonymity.

6.4.2 Netnography: Data Collection

Kozinets (2016) advocates that, regardless of the technique used, the process of data collection should be undertaken in a selective fashion. The purpose of netnography is not to “seek to comprehensively encompass everything that is written about a particular topic, but to choose representatively interesting parts of it and then to collect them in an intriguing way, so as to argue for a central

[3] https://community.freetrade.io/c/investing-and-markets/crowdfunded-companies/

tenet" (Kozinets, 2016, p.2). Researchers should privilege the quality of data over quantity, and be respectful of the material collected.

Consequently, the data selection and collection processes were conducted so as to adhere to such a principle. In order to ensure the richness and meaningfulness of the data collected, a random sample of 20 users representing equity crowdfunding investors was selected for the study. The requirement was that these users had posted a minimum of 20 comments across the two largest threads on the forum pertaining to the topic of equity crowdfunding investment. The first thread, as of January 2023, contained 2111 comments from 288 users, while the second thread consisted of 661 comments from 157 users. The comments collected from the 20 selected investors amounted to a total of 1130 across the two threads. The sample was considered sufficiently large because it represented 41% of the total comments in the two threads, amounting to a total of 55,474 words/148 transcribed pages.

The first thread was established as an open forum for the discussion of any subject matter pertaining to equity crowdfunding. The second thread, in contrast, serves as an ongoing dialogue for monitoring the performance of the start-up companies in which users have invested, with a particular emphasis on their failures. Upon consideration, only these two threads were considered for the analysis because they saturate the topics object of this analysis, and the inclusion of additional data was deemed superfluous, and potentially confusing.

I wish to underline at this point that I am aware that conducting the data collection based on the concept of randomly selecting 20 users among those who had written at least 20 comments in total – and so, those who had contributed most to the two conversations on the forum – implies collecting the opinions of those who are most vocal within the community, leading to the possibility of bias in the data. However, it was a necessary choice, because the subjects of analysis are investment motivations and behaviours, which made it essential to analyse an adequate number of comments from each user in order to be able to offer relevant interpretations. Collecting comments from users who had posted fewer than 20 comments risked the possibility of misinterpretation and incompleteness, potentially compromising the relevance of the data collected.

In summary, the selection of a random sample of 20 users who had posted at least 20 comments on the two largest threads on equity crowdfunding in the Freetrade forum was deemed appropriate for obtaining rich and meaningful data. This sample represents a substantial proportion of the total comments in these threads, facilitating relevant interpretations. Following the third netnographic stage of data collection and observation, the collected comments were analysed by means of a rigorous application of thematic analysis (Braun & Clarke, 2006).

The analysis and findings are presented in Chapter 8 of this document. They provide valuable insights into the investment motivations, behaviours, and challenges described by equity crowdfunders in an online forum setting. By utilising a systematic and transparent approach to data collection and analysis, this study attempts to provide a foundation for further research in the field, contributing to the growing body of knowledge on equity crowdfunding investors.

6.4.3 Thematic Analysis

The analytical procedure followed the established process of thematic analysis described by Braun and Clarke (2006). This is one of the most commonly employed analytical approaches in netnographic studies (Heinonen & Medberg, 2018), and enables high degrees of flexibility and theoretical freedom. Thematic analysis is "a method for identifying, analysing and reporting patterns (themes) within data. It minimally organizes and describes your data set in (rich) detail", allowing the researcher to unravel different aspects of a research topic (Braun & Clarke, 2006, p.79).

The analysis is carried out in several stages, totalling six according to Braun and Clarke's (2006) description, which are applied in an iterative mode. The first involves familiarisation with the data and subsequent transcription; the data is read multiple times and the researcher writes down initial ideas suggested by the data. The second step consists of the generation of initial codes, which creates a systematic codification of the data-set. In this step, each relevant extract is attached to its respective code. The third step involves the collation of the codes themselves into potential themes, which are then reviewed. The rationale behind this step is the desire to achieve a better understanding of the data and the patterns identified, allowing new insights to emerge from them. The fourth step checks whether there is consistency between the coded extracts and the entire data-set, which can lead to the generation of an analytical map. During the fifth step, the themes are refined and named. At this point, the researcher should also ensure that the themes are clearly specified and distinct from one another, while collectively telling a coherent story that is capable of addressing the research question and objectives. Lastly, the final report is produced through the interpretation of the themes in the context of the conceptual framework and the selection of "vivid, compelling extract examples" (Braun & Clarke, 2006, p.93).

To conclude, conducting a thematic analysis presents various advantages and disadvantages. It is a flexible and accessible qualitative research method that can be easily learned and applied, particularly by researchers with little or no experience in qualitative research. It can provide results that are easily understood by the general public and is capable of summarising large amounts of data, highlighting the similarities and differences across the data set, while generating new insights (Braun & Clarke, 2006). However, its flexibility can become a disadvantage when the researcher lacks specific guidelines or a clear focus on which aspect of the data to analyse. Thematic analysis is also most useful when applied within an existing framework that grounds the analytical claims being made; otherwise, it can devolve into mere data reporting (Braun & Clarke, 2006). Hence, despite its apparently easy-to-use nature, the application of thematic analysis requires awareness under the guidance of a clear research question.

6.5 Research Ethics

Due to the variety of data gathered to accomplish this research, several ethical considerations were addressed. When conducting the pilot interviews, whether in written or oral form, the participants were first provided with a summary of the research topic and its aim, as well as what was expected from their participation. Consent was obtained either verbally or in writing, according to the participants' wishes. It was made clear to them that they could withdraw from the interview at any time. All participants were also assured of written or verbal confidentiality before data collection. Hence, they were guaranteed the concealment of individual and organisational names, performed through the use of pseudonyms, in order to ensure privacy.

In relation to the next stages of analysis, the administrators of the two online communities were made aware of the research being conducted. They manually approved the publication of the posts enclosing the survey links on the online community pages. The survey was structured so that respondents could leave the page at any time, and no response would be collected until they had completed the entire survey and clicked "submit". The survey itself contained relevant information regarding data collection and handling for the respondents, informing them that the responses would be anonymous, while the data would be stored on secure servers at Lund University and handled in accordance with GDPR and accepted practice at Lund University. Consequently, the research project was also registered on PULU (Personal Data Lund University), because "the EU General Data Protection Regulation (GDPR) requires that the University has a register of all processing of personal data" (Mansfeld, 2019, n.p.). This was necessary because the survey respondents were provided with the opportunity to leave their email addresses if they wanted to receive a copy of the final study, and such addresses count as personal data. Finally, the survey respondents were provided with my email address at the beginning and end of the survey to which any questions could be directed.

No additional steps were deemed necessary when collecting the data to conduct the thematic analysis of one of the two forums (community.freetrade) previously described. In fact, the data on this site is public, freely accessible, and anonymous. The Data Protection Officer at Lund University confirmed that the analysis did not raise any issues related to GDPR. Even so, the users' pseudonyms and any names of companies or platforms mentioned by forum users were replaced with numbers or pseudonyms during the data-collection stage.

7. Survey: Analysis and Discussion

7.1 Descriptive Statistics of Investors' Backgrounds, Motives, and Behaviours

The descriptive statistics of the respondents are presented in Tables 2, 3, and 4, below. The first of these, Table 2, describes investors' backgrounds. As can be seen, 87% (214) of the respondents belong to the category of investors, and the vast majority are also male and UK residents. These results are not surprising, however, as the platforms the respondents use are based in the UK, and prior research has noted that the crowd is significantly male dominated (Zhang et al., 2017). Consistent with past studies, the distribution of ages among the respondents in this study is quite even across the range of 25 to 55 years, with only a few exceptions (Feola et al., 2019).

The variable measuring the highest level of education obtained indicates a highly educated sample, with approximately 75% holding a university degree and nearly 9% having completed a PhD or higher. This is entirely consistent with UK data from past years (Zhang et al., 2017). Moreover, a substantial proportion of the investors possess educational or work experience that may be beneficial for potential collaborations with the start-up after the campaign. Specifically, many ex- and current investors have a university degree in business or engineering (42.7% and 22%, respectively), and have professional experience in finance (37.8%) or as an entrepreneur/start-up founder (24.4%). This information is particularly noteworthy, showing that one out of four respondents has direct entrepreneurial experience or has supported the establishment of a start-up. Past research has also outlined similar findings (Feola et al., 2019). Additionally, the results indicate that most crowdfunders began their investment journey between 2016 and 2018, which is consistent with data from the UK Crowdfunding Report (Zhang et al., 2018). Furthermore, a large number of investors have participated in numerous deals: a staggering 28.5% have invested in more than 30 deals.

Given the importance of evaluating the size of the crowd's investments (Mochkabadi & Volkmann, 2020), two metrics were considered: the average amount invested and the percentage (%) of the total portfolio of financial assets currently allocated to equity crowdfunding (this was posed only to current investors). While responses to both variables seem diverse among respondents, the percentages of the overall portfolio invested in equity crowdfunding might be seen as high, especially considering the riskiness of the investments. Yet, previous research suggests that UK equity crowdfunders typically have higher-than-average incomes (Zhang et al., 2017).

Finally, respondents were asked to indicate which equity crowdfunding platforms they use for their investments. As expected, most of the respondents reported using both Crowdcube and Seedrs, while a minority also reported using the professional platform SyndicateRoom. The next section explains the descriptive statistics regarding investment motives and post-investment behaviours, presented in Tables 3 and 4, followed by their analyses.

Table 2.
Sample characteristics.

Description		**No. Investors**	**No. Ex-Investors**	**No.**	**%**
Sample		**214**	**32**	**246**	**100%**
Age	18 to 24 years	6	0	6	2.4%
	25 to 34 years	63	12	75	30.5%
	35 to 44 years	66	8	74	30.1%
	45 to 54 years	60	10	70	28.5%
	55 to 64 years	17	0	17	6.9%
	65 or older	2	2	4	1.6%
Gender	Male (=1)	204	27	231	93.9%
	Female (=0)	10	5	15	6.1%
Country of Residence	UK (=1)	174	28	202	82.1%
	Others (=0)	40	4	44	17.9%
Highest Education	High School	14	0	14	5.7%
	University Bachelor's degree	65	10	75	30.5%
	University Master's degree	94	14	108	43.9%
	University PhD or higher	16	6	22	8.9%
	Other (e.g. vocational/professional qualification etc.)	25	2	27	11.0%
Relevant Experience	University business degree	90	15	105	42.7%
	University engineering degree	44	10	54	22.0%
	Professionally worked in finance	77	16	93	37.8%

	Entrepreneur/start-up founder	50	10	60	24.4%
Year of First Investment	2011	6	0	6	2.4%
	2012	6	0	6	2.4%
	2013	8	2	10	4.1%
	2014	12	6	18	7.3%
	2015	16	2	18	7.3%
	2016	36	6	42	17.1%
	2017	34	7	41	16.7%
	2018	49	3	52	21.1%
	2019	23	2	25	10.2%
	2020	12	4	16	6.5%
	2021	12	0	12	4.9%
Platforms Used	Crowdcube	198	28	226	91.9%
	Seedrs	142	16	158	64.2%
	SyndicateRoom	15	6	21	8.5%
	AngelsDen	0	2	2	0.8%
No. Investments Made	1–5	42	10	52	21.1%
	6–10	41	4	45	18.3%
	11–15	32	7	39	15.9%
	16–20	13	6	19	7.7%
	21–25	14	1	15	6.1%
	26–30	6	0	6	2.4%
	30+	66	4	70	28.5%
Average amount invested	< £50	4	2	6	2.4%
	£51–100	6	0	6	2.4%
	£101–500	74	5	79	32.1%
	£501–1000	49	8	57	23.2%
	£1001–2500	42	2	44	17.9%
	£2501–5000	17	8	25	10.2%
	£5001–10000	6	1	7	2.8%
	£10001–25000	8	4	12	4.9%
	£25000 +	2	2	4	1.6%
	No response	6	0	6	2.4%
% Portfolio in ECF* *Only investors	<1%	24		24	11.2%
	1–5%	54		54	25.2%
	6–10%	31		31	14.5%
	11–15%	27		27	12.6%
	16–20%	28		28	13.1%
	21–25%	14		14	6.5%
	26–30%	2		2	0.9%
	> 30%	30		30	14.0%
	No response	4		4	1.9%

Continuing with the description of the data collected, Table 3 provides a summary of the respondents' investment motives. At an individual level, the most significant motive reported was obtaining a financial return. The values regarding all the other investment motive types are scattered, with emotional motives being more frequent on average than expressive motives. In particular, the highest averages are reported for the emotional motives of investing in start-ups whose values are in line with those of the investors, or start-ups manufacturing a product for which the crowd could be customers. In contrast, the lowest average is registered by the desire to gain a reputation and prestige as an investor.

Table 3.
Investment Motives.

Please assess whether the following objectives are relevant to your present/past ECF investment activity:				
1=Strongly disagree; 2=Disagree; 3=Neither agree nor disagree; 4=Agree; 5=Strongly agree				
	Variable	**Motive**	**Average**	**SD**
I would NOT invest in ECF, If I were certain I would NOT obtain a positive financial return	Mot_Return2	Utilitarian	4.67	0.93
Obtain a financial return	Mot_Return	Utilitarian	4.62	0.73
Support start-ups which I like/d to be associated with (I share/d their values)	Mot_Shared Values	Emotional	3.83	1.19
Support specific companies that I am/could be a customer of	Mot_Customer	Emotional	3.49	1.29
Enjoy the thrill of investing in seed/growth stage companies	Mot_Thrill	Emotional	3.45	1.25
Challenge myself in finding future winners	Mot_Challenge	Emotional	3.36	1.36
Obtain a tax relief	Mot_Tax	Utilitarian	3.04	1.44
Support economic growth (innovation, employment etc.)	Mot_Support Economy	Emotional	3.00	1.33
Have fun	Mot_Fun	Emotional	2.85	1.33
Become part of a community	Mot_Community	Expressive	2.22	1.22
Feel good when giving back to start-ups	Mot_Feel Good	Emotional	2.19	1.21
Develop connections/collaborations with other investors	Mot_Collaboration with Investors	Expressive	2.13	1.11
Develop connections/collaborations with the start-ups funded	Mot_Collaboration with Start-Up	Expressive	2.10	1.19
Gain reputation/recognition or prestige as an investor	Mot_Gain Reputation	Expressive	1.85	1.10

Table 4 displays the post-investment behaviours that were assessed in the survey, along with the summary statistics illustrating the reported frequency of occurrence by the respondents. On average, the most frequent behaviour observed among these is active monitoring of the start-up through various channels such as social media, news platforms, and dedicated communication channels. On the other hand, participation in the start-up's board is reported as the least common behaviour among the respondents. This is in line with the data on the average investment amount provided by the respondents, with around 80% investing less than £2500 per investment, a sum that is not likely to grant participation on the board (Table 2).

Furthermore, the behaviours measuring the inclination towards passivity, and those measuring actively providing feedback about the start-up's product also exhibit relatively high average scores compared to the others.

Table 4.
Post-Investment Behaviour.

Please assess your behaviour towards your ECF investments, once a campaign is concluded:				
1=Never; 2=Rarely; 3=Sometimes; 4=Often; 5=Always				
	Variable	**Behaviour**	**Average**	**SD**
I actively monitor the start-up on socials, news and dedicated channels	Monitor	Active	3.57	1.14
I take a passive interest in the start-up and wait for investor updates, newsletter etc.	Passive	Passive	3.09	1.37
I provide feedback about the start-up's product	Product Feedback	Active	2.82	1.23
I act as a brand ambassador, promoting the start-up through social media and friends	Brand Ambassador	Active	2.79	1.30
I forget about the investment and wait for an exit	Forget	Passive	2.46	1.20
I introduce new investors to the start-up	Introduce New Investors	Active	2.15	1.28
I keep in contact with other investors from the campaign	KIC with Investors	Active	1.85	1.11
I offer my professional experience to the start-up (marketing, financial, legal, strategic advice etc.)	Offer Prof. Experience	Active	1.58	1.03
I offer business connections to the start-up (industry players, distribution etc.)	Offer Connections	Active	1.54	0.99
I participate as a start-up board or advisory board member	Board	Active	1.22	0.58

As previously described in Chapter 6, in order to perform the statistical analysis, the two sets of variables representative of investment motives and post-investment behaviours were first subjected to Factor Analysis. The first analysis of investment motives enabled me to test an application of Statman's (2017) investment motives framework on the crowd. The second analysis focused on post-investment behaviours (Di Pietro, Prencipe & Majchrzak, 2018; Schwienbacher & Larralde, 2012), with the goal of identifying relevant categories of behaviour in the answers. The factors obtained from the analysis were subsequently included in multiple regression analysis and the general structural equation model (GSEM), together with the item representing participants' overall satisfaction gained from equity crowdfunding. The following sections present the outcomes of the analyses.

7.2 Factor Analysis

7.2.1 Factor Analysis: Investment Motives

An exploratory principal component factor analysis with orthogonal varimax rotation was first conducted on the investment motivation variables. Following the suggestions of Hair et al. (2014, p. 100), different tests were performed before the factor analysis. The correlation matrix (Appendix E) revealed a substantial number of correlations greater than .30, which makes factor analysis appropriate. The Bartlett test of sphericity (a statistical test for the presence of correlations among the variables), where the null hypothesis corresponds to "variables are not intercorrelated", was significant (in this case $p<.001$). In addition, the KMO (Measure of Sampling Adequacy) (Hutcheson, 1999), which quantifies the degree of intercorrelation among the variables and, thus, the appropriateness of the factor analysis, was also equal to .798 (the index ranges from 0 to 1 and values above .70 are desirable).

The researcher should also control for a variable's communality, "the estimate of its shared, or common, variance among the variables as represented by the derived factors" (Hair et al., 2014, p.103). Variables with communality under .5 are identified as not meeting sufficient levels of explanation and should be removed from the analysis. In this case, due to low communality, the variable representing the investment motive of obtaining tax benefits was removed from the analysis.

As previously mentioned, the factors were rotated using orthogonal varimax rotation (Dunteman, 1989). Varimax is the most frequently used orthogonal factor rotation method, because it focuses on simplifying the columns in a factor matrix, leading the loadings to be clearly differentiated and easily interpretable (Hair et al., 2014, p.113). The determination of the appropriate number of factors to extract follows the latent root criterion (eigenvalue) and the percentage of variance criterion. Accordingly, all factors with eigenvalues exceeding one were retained, while ensuring that the total variance explained surpasses 60% (in this instance, it was 70.29%) (Hair et al., 2014, p.112). Furthermore, it is noteworthy that all the factor loadings exceeded the threshold of .5, thus confirming that all the variables are representative of the factors they construct. The outcomes of the factor analysis are provided in Table 5.

Table 5.
Factor analysis of Equity Crowdfunding Investment Motives.

	Expressive Motives	**Emotional Motives 1** *Support*	**Emotional Motives 2** *Thrill*	**Utilitarian Motives**
Mot_Collaboration with Investors: Develop connections/ collaborations with other investors	**0.8837**	0.1507	0.1676	0.0172
Mot_Collaboration with Start-Up: Develop connections/ collaborations with the start-ups funded	**0.871**	0.13	0.0517	-0.0797
Mot_Community: Become part of a community	**0.713**	0.3213	0.2061	-0.1638
Mot_Gain Reputation: Gain reputation/recognition or prestige as an investor	**0.6602**	0.1433	0.3438	0.0725
Mot_Shared Values: Support start-ups which I like/d to be associated with (I share/d their values)	0.0633	**0.8884**	0.0844	-0.0624
Mot_Customer: Support specific companies that I am/could be a customer of	0.3177	**0.7224**	0.1045	0.0179
Mot_Support Economy: Support economic growth (e.g. innovation, employment etc.)	0.3404	**0.6033**	0.2026	-0.0286
Mot_Feel Good: Feel good when giving back to start-ups	0.3254	**0.5977**	0.3564	-0.2616

Mot_Thrill: Enjoy the thrill of investing in seed/growth stage companies	0.2486	0.2036	**0.8444**	0.0249
Mot_Challenge: Challenge myself in finding future winners	0.4595	-0.0745	**0.643**	0.2104
Mot_Fun: Have fun	-0.0915	0.327	**0.6157**	-0.4229
Mot_Return: Obtain a financial return	0.0668	-0.0759	-0.0565	**0.8584**
Mot_Return2: I would NOT invest in ECF, if I were certain I would NOT obtain a positive financial return	-0.1734	-0.0194	0.083	**0.8303**
Total % of variance	*24.05*	*18.12*	*14.56*	*13.56*
Cumulative variance (%)	*24.05*	*42.17*	*56.73*	*70.29*
Cronbach's Alpha	*0.8635*	*0.7952*	*0.6316*	*0.6841*

Extraction Method: Principal Component
Rotation Method: Varimax with Kaiser Normalisation

The factors were extracted using the principal component method. While alternative methodologies, such as principal factor and maximum likelihood, produced identical outcomes in terms of item loading across the four factors, the chosen approach offered clearer results regarding cross-loadings, which justified its selection. The factor scores were calculated through a regression method using their individually extracted principal components, and saved. This led to the creation of four new variables for use in the multiple regression analyses and the GSEM model. The use of the saved factors to construct the subsequent model, and the employment of conventional factor and regression analysis, enabled the derivation of standardised variables, characterised by a mean value of zero and a standard deviation of one. By doing so, issues pertaining to multi-collinearity amongst the factors are avoided (Anselmsson, Bondesson & Melin, 2016). The reliability of the four factors was measured by calculating their Cronbach's Alpha scores, whose lower limit for acceptability is generally considered to be .70 or .60 in exploratory research (Hair et al., 2014, p.123).

The four factors resulting from the analysis were named following Statman's (2017) framework, because the items composing them are representative of constructs that reflect expressive, emotional, and utilitarian investment motives. In fact, each item comprising the newly derived factors exhibits substantial loadings on its respective factor. Notably, the expressive and utilitarian motives demonstrate exceptionally high loadings within their respective factors, while exhibiting comparatively low loadings in the other factors. This finding highlights the robustness and strength of these factors, because it is possible to easily discriminate between them. The items (here in abbreviated form, see Table 5, above, for the corresponding survey answers) *Mot_Collaboration with Investors, Mot_Collaboration with Start-Up, Mot_Community*, and *Mot_Gain Reputation* load into the factor *Expressive Motives*. This factor represents the needs to share about the investments made, be part of a community, and gain recognition from one's activities (Allison et al., 2015; Bretschneider & Leimeister, 2017; Collins & Pierrakis, 2012; Moysidou, 2017). The factor *Utilitarian Motives* is also clearly represented by the two items describing the search for financial return (*Mot_Return* and *Mot_Return2*).

The result pertaining to emotional motives is very interesting because the analysis suggested the creation of two factors, which were both retained, following the latent root criterion (eigenvalue) and the percentage of variance criterion, as previously described (Hair et al., 2014, p.112). The analysis was also repeated while forcing the extraction of only three factors instead of four, which resulted in the two emotional factors collapsing into one unique emotional factor, as a further confirmation of the distinctions between the constructs represented (see Appendix F). In any case, the two emotional factors first obtained are clearly representative of two different types of emotional motives, and so they were both retained. Both the emotional factors were named following Hair et al.'s (2014) advice, because the variables with the higher loading are considered more representative of the factor itself.

The factor *Emotional Motives 1_Support* was so defined because it is composed of "conventionally emotional" variables, and reflect the desire to support a start-up due to the positive emotions associated with acting as a benefactor and feeling good about it (*Mot_Feel Good*), as well as the motivation to contribute to a country's economic growth (*Mot_Support Economy*), and to support specific companies whose products investors care about (*Mot_Customer*), or whose values they align with (*Mot_Shared Values*). These emotional motivations have been identified in previous studies (Bretschneider & Leimeister, 2017; Collins & Pierrakis, 2012; Feola et al., 2019; Hornuf, Schmitt & Stenzhorn, 2018; Katzenmeier et al., 2019; Mason & Harrison, 2002a; Moskowitz & Vissing-Jørgensen, 2002; Statman, 2014; Wallmeroth, 2019; Wetzel, 1983; Wright, 2017; Zhang et al., 2017).

The second emotional factor, *Emotional Motives 2_Thrill*, is instead representative of a very distinct set of feelings associated with the search for fun, challenge, and thrill resulting from high-risk investments in seed/growth-stage companies. This factor encompasses motivations related to enjoyment (*Mot_Fun*), the desire for the stimulating challenge of identifying future successful start-ups (*Mot_Challenge*), and the excitement derived from engaging in early-stage investments (*Mot_Thrill*). These findings align with previous literature on risk-seeking behaviour in investment contexts and the role of behavioural motives (Bento, Gianfrate & Groppo, 2019; Estrin, Gozman & Khavul, 2018; Pan & Statman, 2012; Tversky & Kahneman, 1986). Behavioural finance posits that factors such as fun, excitement, regret avoidance, and the aspiration to make substantial gains play influential roles in driving individuals to make risky investment choices (Pan & Statman, 2012; Statman, 2019).

7.2.2 Factor Analysis: Post-Investment Behaviours

An exploratory principal component factor analysis with orthogonal varimax rotation was also conducted on the post-campaign behaviour variables. The criteria applied to extract these factors mirror the ones adopted during the previous factor analysis on investment motives. The correlation matrix (Appendix E) revealed a substantial number of correlations greater than .30, which makes factor analysis appropriate. The Bartlett test of sphericity was significant (in this case $p<.001$), as well as the KMO (Measure of Sampling Adequacy), which was equal to .709. Due to low communality, one variable ("I keep in contact with other investors from the campaign") was excluded. All the factors with an eigenvalue greater than one were retained, and the total variance explained is over 60% (in this case, 66.54%) (Hair et al., 2014, pp.112–113). Additionally, all the factor loadings exceed the limit of .5, showing that all the variables are representative of the factors into which they are condensed.

The factor scores, calculated using their individually extracted principal components, were saved, leading to the creation of three new variables: *Active-Professional Behaviour, Active-Social Behaviour*, and *Passive Behaviour*. The reliability of these three factors was measured by calculating their Cronbach's Alpha scores. The results of the factor analysis are presented in Table 6, below.

Table 6.
Factor analysis of Equity Crowdfunding Post-campaign Behaviours.

	Active-Professional Behaviour	**Active-Social Behaviour**	**Passive Behaviour**
Offer Prof. Experience: I offer my professional experience to the start-up (marketing, financial, legal, strategic advice etc.)	**0.8995**	0.1291	-0.0784
Offer Connections: I offer business connections to the start-up (industry players, distribution etc.)	**0.8811**	0.148	-0.0412
Board: I participate as a start-up board or advisory board member	**0.7792**	0.1068	0.0323
Monitor: I actively monitor the start-up on socials, news and dedicated channels	0.107	**0.7498**	-0.1522
Introduce New Investors: I introduce new investors to the start-up	0.2266	**0.7374**	0.1084
Product Feedback: I provide feedback about the start-up's product	0.3477	**0.6145**	0.0708
Brand Ambassador: I act as a brand ambassador, promoting the start-up through social media and friends	0.0849	**0.5857**	-0.4167
Forget: I forget about the investment and wait for an exit	0.0524	-0.1972	**0.8494**
Passive: I take a passive interest in the start-up and wait for investor updates, newsletter etc.	-0.1362	0.1378	**0.84**
Total % of variance	*26.72*	21.49	*18.33*
Cumulative variance (%)	*26.72*	48.21	*66.54*
Cronbach's Alpha	*0.8247*	0.6683	*0.6696*

Extraction Method: Principal Component
Rotation Method: Varimax with Kaiser Normalisation

The first factor was designated *Active-Professional Behaviour* because it groups items representative of behaviours that the literature does not usually associate with crowdfunders, but rather with professional and institutional investors such as business angels and venture capitalists (Aernoudt & Erikson, 2002; Gompers & Lerner, 2001; Wiltbank, 2005). The inclusion of these behaviours in the factor is important, because it challenges the conventional literature, which solely links them to professional investment entities.

The second factor was named *Active-Social Behaviour* due to its composition, which includes both the social aspects of the behaviours and the utilisation of social media platforms. Active-social behaviour groups various of the post-investment behaviours that past research has identified as characteristics of an active equity crowd (Di Pietro, Prencipe & Majchrzak, 2018), which develops some kind of interaction with the start-up, at different levels.

Finally, the third factor, *Passive Behaviour*, indicates a tendency to avoid active engagement with the start-up after the investment (Block et al., 2018). This factor represents a distinct category of behaviour characterised by limited or no involvement or interaction. The overall distinction among the two active and one passive behaviour factors follows the original demarcation by Hornuf et al. (2020) and Schwienbacher and Larralde (2012), differentiating between passive and active investments by the crowd.

The next sections present how all the factors obtained have been employed to identify possible relationships between equity crowdfunding investment motives, post-campaign behaviours, and overall satisfaction. This was accomplished through regression analysis and general structural equation modelling, following the methodology outlined in Chapter 5.

7.3 Initial Regression Models

As previously explained, it was deemed suitable to examine the relationships under consideration via various multiple regressions prior to initiating the analysis using GSEM (Cumming, Meoli & Vismara, 2019), due to the GSEM's lack of post-estimation tests (Stata, 2023a).

Following the order of the research hypotheses presented in Chapter 5, the first regressions conducted concern the relationships between investment motives and post-investment behaviours. Specifically, these regressions examined the association between the four types of investment motives (now simply referred to as utilitarian, expressive, emotional-support, and emotional-thrill motives) and the three factors that represent post-investment behaviours of the crowd: passive, active-professional, and active-social behaviours (hypotheses 1 to 3). The dependent variables in these regression analyses are the post-investment behaviours of the crowd, while the independent variables are the four constructs related to investment motives. The first regression analyses were performed without the control variables presented in Chapter 6, while the second analysis included them. The results of the regression analyses are presented in Table 7.

Table 7.
Regressions Hypotheses 1 to 3.

VARIABLES	R1: Passive Behaviour	R2: Passive Behaviour	R3: Professional Behaviour	R4: Professional Behaviour	R5: Social Behaviour	R6: Social Behaviour
Utilitarian	0.137**	0.139**	-0.148	-0.115	0.0369	0.0508
	(0.0638)	(0.0629)	(0.0934)	(0.0956)	(0.0594)	(0.0596)
Expressive	-0.229***	-0.222***	0.332***	0.324***	0.313***	0.320***
	(0.0786)	(0.0768)	(0.0736)	(0.0710)	(0.0731)	(0.0728)
Emotional 1_ Support	0.186**	0.185**	-0.136	-0.0524	-0.00901	0.00615
	(0.0787)	(0.0796)	(0.0877)	(0.0838)	(0.0732)	(0.0755)
Emotional 2_Thrill	0.0137	-0.00400	-0.0519	-0.0929	0.181**	0.171**
	(0.0759)	(0.0759)	(0.0747)	(0.0737)	(0.0706)	(0.0720)
Education		-0.183***		0.0186		-0.141**
		(0.0609)		(0.0588)		(0.0577)
Business_Degree		0.305**		0.349**		0.0532
		(0.136)		(0.138)		(0.129)
Engineering_Degree		0.139		0.145		-0.118
		(0.151)		(0.123)		(0.143)
Finance_Worked		-0.146		0.106		0.154
		(0.138)		(0.124)		(0.131)
Entrepreneur/Start Up Founder		-0.126		0.680***		0.0609
		(0.144)		(0.159)		(0.137)
Constant	-5.43e-09	0.454**	2.16e-08	-0.441**	-6.42e-10	0.337*
	(0.0625)	(0.198)	(0.0612)	(0.211)	(0.0581)	(0.188)
Observations	246	246	246	246	246	246
R-squared	0.054	0.122	0.093	0.206	0.182	0.211
Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1						
Mean VIF	1.42	1.27	1.42	1.27	1.42	1.27
Breusch–Pagan/Cook–Weisberg test	0.8762	0.9286			0.5174	0.4563
_hat		0.000		0.000		0.000
_hatsq		0.731		0.614		0.955

Starting with regression 2, relating to passive investment behaviour, it was found that utilitarian investment motives have a positive and significant effect (Coefficient 0.139, $p<0.05$), indicating that an increase in utilitarian motives is associated with a greater likelihood of adopting a passive post-investment behaviour. Emotional-support investment motives also have a positive and significant relationship with passive investment behaviours (Coef. 0.185, $p<0.05$). In contrast, expressive investment motives have a negative and significant impact on passive behaviour (Coef. -0.222, $p<0.01$), suggesting that investors with expressive motives are less likely to be passive investors. Emotional-thrill motives are not significantly associated with being a passive investor. When looking at the control variables, it should be noted that a higher level of education is strongly negatively correlated with passive post-investment behaviours (Coef. -0.183, $p<0.01$), while having obtained a business degree shows a positive significant relationship (Coef. 0.305, $p<0.05$).

In terms of the relationship between professional post-investment behaviour and investment motives, the analysis identified a statistically significant positive relationship at the 95% confidence level with expressive motives, showing that the greater the expressive motivation, the greater the likelihood of professional post-investment behaviours (Coef. 0.324, $p<0.01$), as per regression 4. Additionally, there are positive correlations between having obtained a business degree (Coef. 0.349, $p<0.05$), or being an entrepreneur/start-up funder (Coef. 0.680, $p<0.01$), and professional post-investment behaviours.

Finally, when considering the relationship between active-social post-investment behaviour and investment motives, the analysis revealed a positive correlation between the behaviour and expressive (Coef. 0.320, $p<0.01$), or emotional-thrill investment motives (Coef. 0.171, $p<0.05$). Additionally, there is a negative relationship between level of education and active-social post-investment behaviours (Coef. -0.141, $p<0.05$), as per regression 6.

These results reveal unexpected findings pertaining to the research hypotheses. In particular, while it was hypothesised that emotional benefits would have a negative relationship with passive investment behaviours (Hypothesis 2b), the relationship shown is the opposite in the case of emotional-support investment motives. The rest of the hypothesised relationships are presented below in Section 7.4.1 when testing the system of equations through general structural equation modelling, to avoid repetition.

The regressions were tested for multicollinearity, which arises due to the existence of an approximate linear relationship between at least two independent variables (Lin, 2008). It results in imprecise estimates and inferences, causing problems with the validation or interpretation of the data. Its presence was sought using the variance inflation factor (VIF), which reported no degree of multicollinearity present in the estimation process. This is demonstrated by the fact that the VIF is always less than 10, at both singular and mean level (in this case, always less than 2, see end of Table 7). The regressions were also tested for heteroscedasticity, which occurs when the error terms have increasing or modulating variance. Heteroscedasticity can cause predictions to be better at some levels of the independent variable than at others (Hair et al., 2014, pp.33, 73). Heteroscedasticity was tested through the use of the Breusch–Pagan/Cook–Weisberg test, which gave non-significant results, with two exceptions. Heteroscedasticity was identified between the variable professional investment behaviour and utilitarian investment motives. The problem was solved by performing a robust regression to obtain unbiased standard errors, which removed the previously significant relationship between these two variables.

Additionally, the regressions 2, 4 and 6 were used to detect specification errors through the linktest function, a model specification link test for single-equation (Stata, 2023b), which is rooted in the notion that a regression is correctly specified if no additional independent variables are significant beyond chance (UCLA, 2023). To this end, linktest generates two variables; namely, the prediction variable _hat, and the squared prediction variable _hatsq. The prediction value should be significant because it reflects the expected outcomes of the model. Conversely, the squared predictions should not hold much explanatory power if the model has been properly specified, because they are only meant to account for random variability. Therefore, the insignificance of _hatsq reinforces the correctness of the model specification. The test suggests that the models are correctly specified, given that all _hat values are significant at $p<0.01$, while the _hatsq are not significant. This information can be found in Table 7.

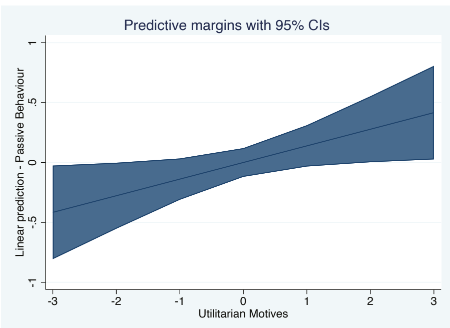
Consideration was also given to whether the models could present issues of reverse causality or simultaneity. However, both possibilities were excluded because motivation precedes action (Ryan & Deci, 2000), and investment behaviours are determined by investment motives (Lukkarinen, Wallenius & Seppälä, 2018). In fact, it would be illogical to assume that post-investment behaviours cause investment motives, or that the two simultaneously cause each other.

Finally, the marginal effects of the statistically significant investment motives across the various post-investment behaviours were also calculated on the regressions with control variables, and visualised through the graphs 1 to 6. Marginal effects enable us to make predictions for each response variable by exploring the impact of the independent variable at different levels; they are also called partial effects because the other variables are held constant (Stata, 2023c). Hence, they allow the researcher to move beyond the simple presence of significance of a variable and instead observe its impact. Graphs 1 to 3 display the marginal effects of the factor variables: utilitarian motives, expressive motives, and emotional-support investment motives, respectively. These effects are shown on passive behaviours at values ranging from -3 to 3 standard deviations from the mean (0).

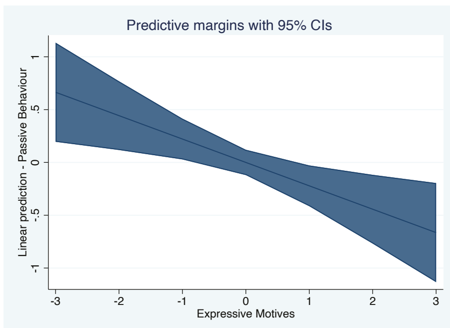
Similarly, Graphs 4 and 5 present the marginal effects of the variable expressive motives on professional behaviour and social post-investment behaviour, respectively, at values -3 to 3 standard deviations from the mean (0). Finally, Graph 6 represents the marginal effect of the variable emotional-thrill investment motives on social post-investment behaviour again at values -3(1)3 standard deviations from the mean (0).

Figure 3.
Marginal Effects of Investment Motives on Post-Investment Behaviours.

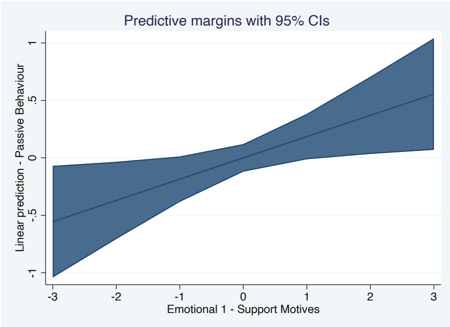
Graph 1



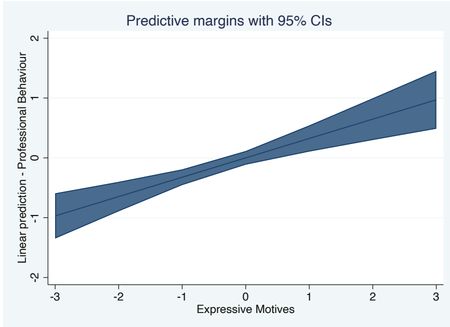
Graph 2



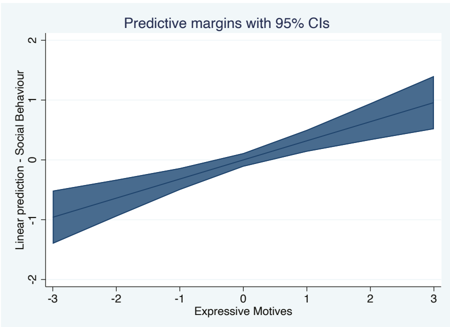
Graph 3



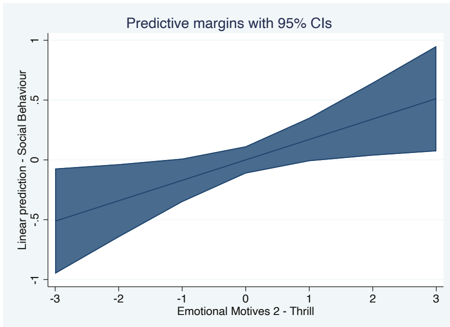
Graph 4



Graph 5



Graph 6



These graphs show that, as the value of utilitarian and emotional-support motives increase, the prediction of passive behaviours also increases (Graphs 1 and 3), from around -.4 to .3, and from almost -.6 to .5, while the relationship is the opposite when considering expressive motives (Graph 2), with a steep decrease from almost .7 to -.6. Similarly, as the value of expressive motives increases, so do the predictions of active-professional and active-social behaviours (Graphs 4 and 5). The same type of positive relationship is identified between emotional-thrill investment motives and social behaviours (Graph 6). However, the magnitude of the effect on social behaviour is more substantial in the case of expressive motives compared to emotional-thrill investment motives. In the first case, the values range from -1 to 1, while in the second from -.5 to .5. The confidence interval is 95% in all cases.

The second step of the process involved conducting the regressions presented below in Table 9, between the overall investment satisfaction of the crowd (ordinal dependent variable, 3-point Likert scale) and the crowd's post-investment behaviours. As the regression was performed using an ordinal dependent variable with more than two outcomes (3-point Likert scale), it was not possible to perform the VIF test for multicollinearity. It is possible, however, to look for collinearity. The easiest and most straightforward way to detect collinearity is by analysing the correlation matrix for the independent variables (Hair et al., 2014, p.196), presented below in Table 8.

Table 8.
Correlations.

	Passive Behaviour	Professional Behaviour	Social Behaviour	Year	No. Inv_Made	Amount Invested	Age	Gender	Residence
Passive Behaviour	1.0000								
Professional Behaviour	-0.0734	1.0000							
	0.2513								
Social Behaviour	-0.1673	0.4028	1.0000						
	0.0086	0.0000							
Year	-0.0173	-0.2401	-0.1059	1.0000					
	0.7876	0.0001	0.0975						
No. Inv_Made	-0.0376	0.0631	-0.0470	-0.4372	1.0000				
	0.5567	0.3242	0.4626	0.0000					
Amount Invested	-0.1063	0.2952	0.2056	-0.0789	-0.1848	1.0000			
	0.0962	0.0000	0.0012	0.2174	0.0036				
Age	-0.1165	-0.0120	-0.2575	-0.2198	0.1754	-0.0551	1.0000		
	0.0680	0.8518	0.0000	0.0005	0.0058	0.3892			
Gender	-0.1130	-0.0559	0.0334	-0.1297	0.1748	-0.0677	0.0125	1.0000	
	0.0769	0.3828	0.6026	0.0421	0.0060	0.2899	0.8457		
Residence	0.0522	-0.0261	-0.1558	-0.0239	-0.2021	-0.0599	0.0728	-0.1189	1.0000
	0.4147	0.6842	0.0144	0.7087	0.0014	0.3496	0.2552	0.0625	

Table 8, above, gives correlation coefficients (Pearson's r) and their significance levels (p-values) between pairs of independent variables. The Pearson's values range from -1 to 1, where -1 indicates a strong negative correlation, 0 means no correlation, and 1 indicates a strong positive correlation. The coefficients must be interpreted in light of their eventual significance. If there are strong correlations among the predictor variables, typically at or above 0.90, this suggests the existence of significant collinearity (Hair et al., 2014, p.196). In this case, the table shows a few weak significant correlations, with moderate correlations appearing between amount invested and professional behaviour, and active-social behaviour and professional behaviour, as well as a negative correlation between number of investments made and year of investment. However, none of the values are higher than 0.5. Finally, the regressions presented in Table 9, below, refer to hypotheses 4 and 5 from Chapter 5.

Table 9.
Regressions Hypotheses 4 and 5.

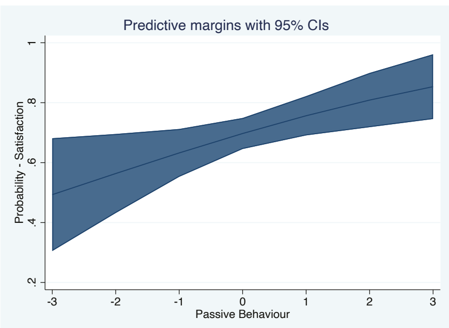
VARIABLES	Satisfaction	Satisfaction
Passive Behaviour	0.173**	0.215**
	(0.0880)	(0.0935)
Professional Behaviour	-0.311***	-0.278***
	(0.0939)	(0.102)
Social Behaviour	0.381***	0.409***
	(0.103)	(0.115)
Year		0.105**
		(0.0481)
No._Inv_Made		0.163***
		(0.0496)
Amount_X_Inv		-0.0308
		(0.0522)
Age		-0.0109
		(0.0962)
Gender		0.748**
		(0.367)
Residence		-0.682**
		(0.305)
/cut1	-0.665***	0.566
	(0.0897)	(0.832)
/cut2	-0.562***	0.681
	(0.0878)	(0.833)
Observations	246	246
R-squared	0.0573	0.1431
Standard errors in parentheses		
*** p<0.01, ** p<0.05, * p<0.1		
_hat		0.008
_hatsq		0.844

These regressions present important findings because all three post-investment behaviours show significant relationships with overall investment satisfaction. Passive behaviours indicate a positive and statistically significant relationship, so that, when holding other variables constant, one standard deviation increase in the score of passive behaviour is associated with a 0.215 increase in the satisfaction score ($p<0.05$). The same is true regarding active-social behaviours (Coef. 0.409, $p<0.01$). This result is unexpected, as it contradicts Hypothesis 4. The relationship is the opposite in the case of professional behaviour, which shows a negative and highly statistically significant relationship with satisfaction (Coef. -0.278, $p<0.01$). With regards to the control variables used, it appears that being male, a recent investor, or having invested in many deals, are related to higher levels of satisfaction, while UK residents appear less satisfied than non-UK ones.

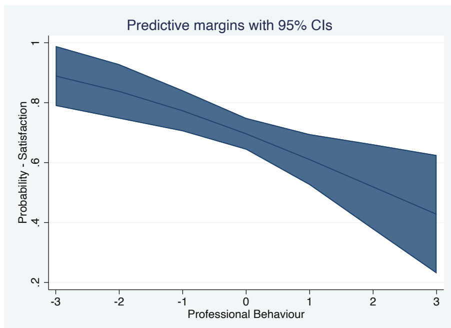
Furthermore, the specification of the dependent variable (linktest) is correct (_hat significant at $p<0.01$ and _hatsq not significant). Whether the models could present issues of reverse causality or simultaneity was also considered. However, it was concluded that these issues were not applicable, because overall satisfaction was measured as a reflection of the entire equity crowdfunding experience, given the investment motives and behaviours adopted. This was reflected in the structure of the survey questionnaire, in which the questions regarding investment motives, post-investment behaviours, and satisfaction were asked sequentially. The marginal effects of post-investment behaviours are also computed for satisfaction after fitting the regression model with control variables. The results are presented in Figure 4, below, through Graphs 7 to 9.

Figure 4.
Marginal Effects of Post-Investment Behaviours on Satisfaction.

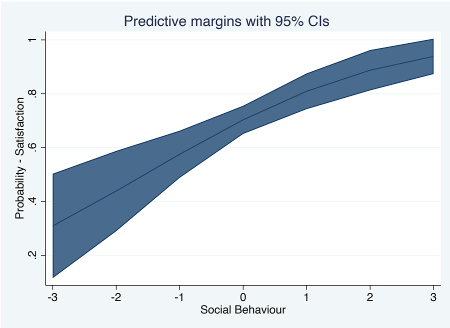
Graph 7



Graph 8



Graph 9



As can be seen in Graph 7, an increase in passive behaviours leads to an increase in the probability of being satisfied with the overall investment experience, from .5 to over .8. Therefore, as the adoption of passive behaviours increases, the probability of having a higher satisfaction level increases at the 95% confidence interval for the estimated probability. The same types of relationship are also visible in Graph 9, regarding active-social post-investment behaviours, with an increase in those behaviours corresponding to an increase in the probability of experiencing greater satisfaction by around .6 overall. The opposite is visible in Graph 8, which shows that an increase in professional behaviour is associated with a decrease in the probability of being satisfied with the overall investment experience, from .9 to .4. Hence, as the adoption of professional behaviours increases, the probability of experiencing a lower level of satisfaction increases at the 95% confidence level. The magnitude of this effect is greater when considering professional and social behaviours in comparison to passive ones. In the next step, following the regression analyses, the system of equations was analysed using general structural equation modelling (GSEM).

7.4 Structural Equation Modelling

7.4.1 GSEM for Equity Crowdfunding

As previously outlined, structural equation modelling (SEM) is a confirmatory technique. It is mostly used to test a theory and thus necessitates theory-driven planning, involving prior knowledge or hypotheses regarding potential relationships between the variables (Tabachnick & Fidell, 2019). The model was therefore used to jointly test the research hypotheses previously presented in Chapter 5, in contrast to the tests so far performed, which looked at the hypotheses one by one. Given the results of the two factor analyses, these hypotheses cover multiple variables. Hence, the emotional investment motives, to which Hypothesis 2 refers, include both the variable Emotional Motives 1_Support and Emotional Motives 2_Thrill. In addition, active post-investment behaviours include both the variables Active-Professional Behaviour and Active-Social Behaviour. Given the fact that the dependent variable Satisfaction is an ordinal variable, the data was analysed using general structural equation modelling (i.e. GSEM is used instead of SEM) (Stata/SE 17.0). The conceptual model used for the analysis follows and expands upon that shown in Figure 2, by incorporating the results of the factor analyses performed. In fact, the model operationalises that of Figure 2 by including the items resulting from the factor analysis and the control variables used. It is presented here in Figure 5, below, while the analysis is reported in Table 10 (the table is split into two parts for ease of reading), also below.

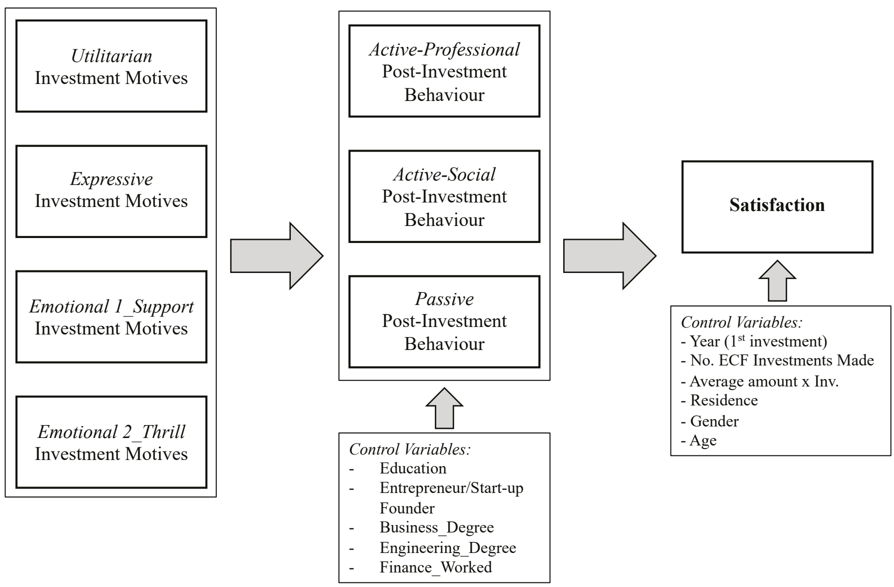


Figure 5.
Conceptual Research Model.

Table 10.
General Structural Equation Models.

	Model 1				Model 2			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
VARIABLES	Passive Behaviour	Professional Behaviour	Social Behaviour	Satisfaction	Passive Behaviour	Professional Behaviour	Social Behaviour	Satisfaction
Utilitarian	0.137**	-0.148	0.0369	0.0786	0.139**	-0.115	0.0508	0.00986
	(0.0616)	(0.0926)	(0.0539)	(0.0942)	(0.0604)	(0.0939)	(0.0585)	(0.100)
Expressive	-0.229***	0.332***	0.313***	0.0385	-0.222***	0.324***	0.320***	0.133
	(0.0793)	(0.0730)	(0.0766)	(0.114)	(0.0745)	(0.0696)	(0.0746)	(0.122)
Emotional 1_ Support	0.186**	-0.136	-0.00901	0.0759	0.185**	-0.0524	0.00615	0.0784
	(0.0823)	(0.0870)	(0.0717)	(0.107)	(0.0781)	(0.0823)	(0.0698)	(0.116)
Emotional 2_Thrill	0.0137	-0.0519	0.181**	0.0380	-0.00400	-0.0929	0.171**	-0.0614
	(0.0748)	(0.0741)	(0.0707)	(0.0934)	(0.0710)	(0.0724)	(0.0705)	(0.0994)
Passive Behaviour				0.159*				0.223**
				(0.0908)				(0.0973)
Professional Behaviour				-0.301***				-0.312***
				(0.0986)				(0.114)
Social Behaviour				0.335***				0.394***
				(0.108)				(0.110)
var(e.Passive Behaviour)				0.942***				0.875***
				(0.0734)				(0.0698)
var(e.Professional Behaviour)				0.903***				0.791***
				(0.115)				(0.105)
var(e.Social Behaviour)				0.814***				0.786***
				(0.0744)				(0.0697)
Education					-0.183***	0.0186	-0.141**	
					(0.0599)	(0.0577)	(0.0553)	
Entrepreneur/Start Up Founder					-0.126	0.680***	0.0609	
					(0.143)	(0.156)	(0.157)	
Business_Degree					0.305**	0.349***	0.0532	
					(0.132)	(0.135)	(0.119)	
Engineering_Degree					0.139	0.145	-0.118	
					(0.136)	(0.121)	(0.134)	
Finance_Worked					-0.146	0.106	0.154	
					(0.135)	(0.122)	(0.125)	
Age								-0.0162
								(0.0876)
No._Inv_Made								0.183***
								(0.0460)
Gender								0.678*
								(0.375)
Year								0.102**
								(0.0420)
Amount_X_Inv								-0.0342
								(0.0496)
Residence								-0.678*
								(0.348)
Constant	-5.43e-09	2.16e-08	-6.42e-10		0.454**	-0.441**	0.337*	
	(0.0620)	(0.0607)	(0.0576)		(0.197)	(0.207)	(0.184)	
Observations	246	246	246	246	246	246	246	246
df				36				48
AIC				2324.149				2339.112
BIC				2450.341				2507.368

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

	Model 3			
VARIABLES	(9) Passive Behaviour	(10) Professional Behaviour	(11) Social Behaviour	(12) Satisfaction
Utilitarian	0.149**	-0.114	0.0360	
	(0.0609)	(0.0972)	(0.0587)	
Expressive	-0.221***	0.328***	0.323***	
	(0.0755)	(0.0683)	(0.0746)	
Emotional 1 Support	0.202**	-0.0554	-0.0225	
	(0.0784)	(0.0819)	(0.0714)	
Emotional 2 Thrill	-0.00800	-0.0946	0.188***	
	(0.0724)	(0.0708)	(0.0705)	
Passive Behaviour				0.223**
				(0.0980)
Professional Behaviour				-0.292***
				(0.113)
Social Behaviour				0.413***
				(0.104)
var(e.Passive Behaviour)				0.887***
				(0.0701)
var(e.Professional Behaviour)				0.797***
				(0.102)
var(e.Social Behaviour)				0.797***
				(0.0710)
Education	-0.195***		-0.129**	
	(0.0601)		(0.0542)	
Entrepreneur/Start Up Founder		0.664***		
		(0.156)		
Business Degree	0.254**	0.372***		
	(0.127)	(0.124)		
Engineering Degree				
Finance Worked				
Age				
No. Inv Made				0.172***
				(0.0455)
Gender				0.754*
				(0.387)
Year				0.110***
				(0.0413)
Amount X Inv				
Residence				-0.671**
				(0.327)
Constant	0.456**	-0.321***	0.373**	
	(0.196)	(0.0703)	(0.167)	
Observations	246	246	246	246
df				32
AIC				2318.634
BIC				2430.805

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

All the models were estimated with robust standard errors. Model 1 comprises solely the relationships between dependent and independent variables; hence: overall satisfaction, post-investment behaviours, and investment motives. Conversely, Model 2 represents the "saturated" model, in the sense that it encompasses all of the potentially relevant control variables available from the data collection, regardless of their statistical significance. Both Models 1 and 2 also include the paths between overall satisfaction and investment motives. These paths are not themselves objects of interest in this analysis; however, they are considered in order to comprehend the complete structure of the relationships between the three variables satisfaction, behaviour, and motivation, and to assess how behaviour may function as a mediator between the other two.

The outcomes indicate that there is no significant relationship between investment motives and satisfaction; hence, no direct effects exist (Zhao, Lynch & Chen, 2010). Model 3, which excludes the insignificant direct path and control variables, represents the ultimate and best model thanks to its lowest AIC (2318.634) and BIC (2430.805) scores. In fact, when performing the analysis through GSEM (Stata/SE 17.0), traditional goodness-of-fit statistics are not available; however, it is possible to employ the Akaike information criterion (AIC) and the Bayesian information criterion (BIC) as latent class goodness-of-fit statistics to guide the selection of the final model and its performance (StataCorp, 2017). These two measures can be used to compare different models, and the model with the lower AIC or BIC value is to be preferred. The Akaike information criterion "asymptotically selects the model that minimizes mean squared error of prediction or estimation", while the Bayesian information criterion "is guaranteed to select the true model as the sample size grows" (Vrieze, 2012, pp.1–2). Model 3 was also statistically tested by transforming the dependent variable into a dummy (1=satisfied, 0=undecided/not satisfied), as a further remedy against common method bias (Podsakoff et al., 2003; Podsakoff, MacKenzie & Podsakoff, 2012), as previously described in Section 6.3.3, Table 1. The link function in the GSEM model was also changed accordingly. There was no difference among the relationships outlined (see Appendix G for results of the analysis conducted using the substitution).

Finally, the graphic representation of Model 3 is presented in Figure 6, below, in which non-significant relationships between investment motives and behaviours have been removed for simplicity. The significant relationships are reported in the following Table 11, according to the research hypotheses, and the following text.

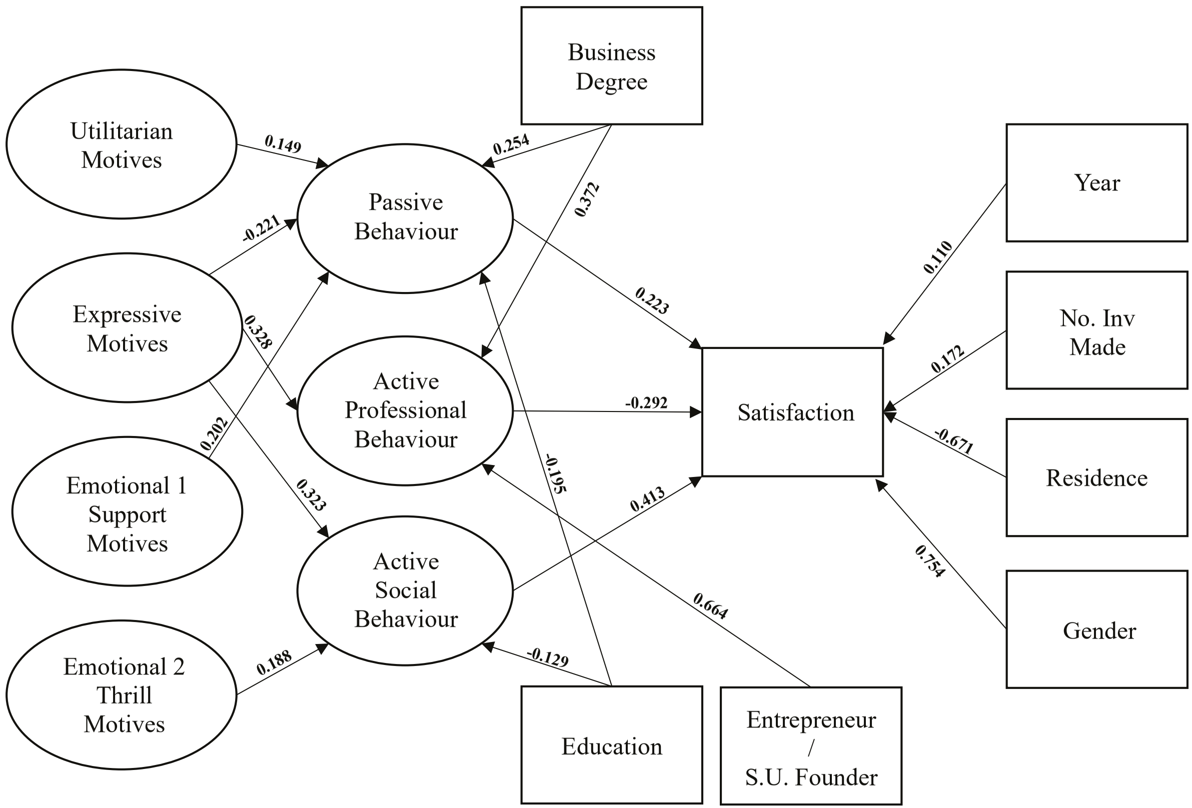


Figure 6.
Graphic Results Model 3: GSEM Analysis (Stata/SE 17.0).

Regarding the research hypotheses, the results show the following relationships, presented in Table 11, below.

Table 11.
Hypotheses and Summary of Results.

H1a. Expressive investment motives are positively associated with active post-investment behaviours (social and professional) among equity crowdfunders.	Supported 2 of 2: Expressive → Active Social (+) Expressive → Active Professional (+)
H1b. Expressive investment motives are negatively associated with passive investment behaviours among equity crowdfunders.	Supported: Expressive → Passive (-)
H2a. Emotional investment motives (support and thrill) are positively associated with active post-investment behaviours (social and professional) among equity crowdfunders.	Supported 1 of 4: Emotional 2 Thrill → Active Social (+)
H2b. Emotional investment motives (support and thrill) are negatively associated with passive investment behaviours among equity crowdfunders.	Not supported (and 1 of 2 contrary to hypothesis): Emotional 1 Support → Passive (+)
H3a. Utilitarian investment motives are positively associated with passive investment behaviours among equity crowdfunders.	Supported: Utilitarian → Passive (+)
H3b. Utilitarian investment motives are negatively associated with active (social and professional) post-investment behaviours among equity crowdfunders.	Not supported
H4. Active post-investment behaviours (social and professional) are negatively associated with overall investment satisfaction among equity crowdfunders.	Supported 1 of 2: Active Professional → Satisfaction (-) Not supported (and contrary to hypothesis) 1 of 2: Active Social → Satisfaction (+)
H5. Passive post-investment behaviours are positively associated with overall investment satisfaction among equity crowdfunders.	Supported Passive → Satisfaction (+)

Hypothesis 1 is supported: the stronger the expressive motives of the investors, a) the greater their active professional and social behaviours (supported 2 of 2); and b) the lower their passive post-investment behaviour. In fact, as can be seen in Table 10, Model 3, expressive motives have a significant negative effect on passive post-investment behaviours. Holding other variables constant, a one standard deviation increase in expressive motives is associated with a 0.221 decrease in passive behaviour ($p<0.01$). In contrast, the variable has a significant positive effect on both active-professional behaviour (Coef. 0.328, $p<0.01$) and active-social behaviour (Coef. 0.323, $p<0.01$).

The tests on Hypothesis 2a presented mixed results, with only one out of the four hypothesised relationships being significant in the model. The results confirm a positive relationship between emotional-thrill investment motives and active-social post-investment behaviour, with a one standard deviation increase in emotional-thrill being associated with a 0.188 standard deviation increase in active-social behaviour ($p<0.01$). However, no significant relationship was identified between emotional-thrill motives and active-professional behaviour. Similarly, the relationships hypothesised between emotional-support motives and the two active post-investment behaviours are not supported. Instead, the model outlines a positive relationship between emotional-support motives and passive investment behaviour (contradicting Hypothesis 2b). This indicates that an increase in emotional-support motives is associated with an increase in passive investment behaviour (Coef. 0.202, $p<0.05$).

Hypothesis 3a is supported, with the model outlining a positive relationship between utilitarian motives and passive investment behaviour: a one standard deviation increase in utilitarian motives is associated with a 0.149 standard deviation increase in passive behaviour ($p<0.05$). In contrast, Hypothesis 3b is not supported.

Hypothesis 4 is supported in relation to active-professional post-investment behaviours, which have a negative significant relationship with overall investment satisfaction. In fact, a one standard deviation increase in active-professional post-investment behaviours is associated with a 0.292 decrease in the satisfaction score ($p<0.01$). Conversely, the relationship is contrary to the hypothesis when considering active-social behaviour, which instead shows a positive significant relationship with investment satisfaction: a one standard deviation increase in active-social behaviour is associated with a 0.413 increase in overall satisfaction ($p< 0.01$).

Finally, Hypothesis 5 is supported as there is a positive significant relationship between passive post-investment behaviour and overall investment satisfaction: a one standard deviation increase in passive post-investment behaviour is associated with a 0.223 increase in satisfaction ($p< 0.05$).

In relation to the control variables included for post-investment behaviours, it should be noticed that Education is related to post-investment behaviours, and in particular higher levels of education among investors correspond to lower engagement in passive behaviours ($p<0.01$) and active-social post-investment behaviours ($p<0.05$). An increase in Education is associated with a 0.195 and 0.129 decrease in passive and active-social behaviours, respectively. However, having previous experience as an entrepreneur or start-up founder leads to higher active-professional post-investment behaviour (Coef. 0.664, $p<0.01$). It therefore seems that some investors leverage their experience to help other start-ups. In contrast, having obtained a business degree shows a positive relationship with both passive and active-professional behaviour, while having a greater impact in the second case. The increase in Business_Degree is associated with a 0.254 ($p<0.05$) and 0.372 increase ($p<0.01$) in passive and active-professional behaviour, respectively.

Finally, considering the control variables related to investment satisfaction, it should be noticed that the greater the number of investments made (Coef. 0.172, $p<0.01$), the higher the level of satisfaction. Similarly, having started to invest in recent years leads to higher levels of satisfaction (Coef. 0.110, $p<0.01$). Despite the lower level of significance, another interesting finding is the fact that male investors appear more satisfied than female investors ($p<0.1$). In addition, respondents residing in the United Kingdom reported being less satisfied than those residing elsewhere (Coef. -0.671, $p<0.05$). This finding is surprising because UK residents can at least claim tax relief.

7.4.2 Indirect Effects

This section aims to examine supplementary relationships that lie beyond the scope of the research hypotheses, and are not directly visible in the output provided by the GSEM analysis alone. In particular, I examine the possibility of the crowd's investment motives having indirect effects on overall investment satisfaction, through post-investment behaviours. In fact, as described earlier, the GSEM analysis has already rejected any direct effect of investment motives on investment satisfaction (Zhao, Lynch & Chen, 2010). However, the potential for indirect effects remains a plausible avenue for exploration (Jiang et al., 2021; Zhao, Lynch & Chen, 2010).

Interestingly enough, the GSEM presented in Table 10 simply reveals the effects of investment motives on post-investment behaviours and those of post-investment behaviours on investment satisfaction. However, after conducting a GSEM analysis, it is also possible to calculate the indirect effect of each investment motive on investment satisfaction through each post-investment behaviour, hence identifying a possible mediation effect of post-investment behaviour between investment motivation and satisfaction. This analysis adds more information to the second segment of the research question, concerning the interrelationship of the three main model components in significant detail: "What investment motives and behaviours characterise the crowd and how do they interrelate with investors' satisfaction from equity crowdfunding?"

As in other equity crowdfunding literature (Kang et al., 2016), the procedure followed is the one outlined by Zhao et al. (2010), Jiang et al. (2021), and Hayes (2022), rather than that of Baron and Kenny (1986), which, despite its wide adoption, was later proved to have significant shortcomings. As a consequence, Table 12, below, reports the resulting indirect effects in order to identify indirect-only mediation. No total effects are considered because proven to be unrelated to the presence of mediation, while the lack of direct effects previously outlined could lead to misleading results (Jiang et al., 2021; Zhao, Lynch & Chen, 2010). The analysis was conducted by means of the bootstrap test (Efron & Tibshirani, 1986; Preacher & Hayes, 2008) with 1500 replications. In this test, if 0 does not fall between the lower and upper bounds of the confidence interval, the indirect effect is statistically significant and mediation is established (Preacher & Hayes, 2004; Zhao, Lynch & Chen, 2010). In the opposite case, the result is that of no-effect, or non-mediation. The analysis was initially conducted at 90% confidence interval, in line with the previous GSEM analysis (considering significance at 90/95/99%), but since there was no difference in the significance of the effects at 90% and 95%, the results are reported in Table 12 at 95% confidence interval, as suggested by Zhao et al. (2010).

Table 12.
Indirect Effects of Motivation on Satisfaction through Behaviour.

Relationships	***Coefficient***	***95% Conf. Interval***
Utilitarian $\rightarrow^{+}$ Passive $\rightarrow^{+}$ Satisfaction	**0.035*** (0.020)	(.0023 to .0676)
Expressive $\rightarrow^{-}$ Passive $\rightarrow^{+}$ Satisfaction	-0.052 (0.031)	(-.1131 to .0097)
Expressive $\rightarrow^{+}$ Active-Professional $\rightarrow^{-}$ Satisfaction	**-0.108*** (0.047)	(-.1997 to -.0160)
Expressive $\rightarrow^{+}$ Active-Social $\rightarrow^{+}$ Satisfaction	**0.129*** (0.052)	(.0262 to .2315)
Emotional 1_Support $\rightarrow^{+}$ Passive $\rightarrow^{+}$ Satisfaction	0.047 (0.032)	(-.0156 to .1101)
Emotional 2_Thrill $\rightarrow^{+}$ Active-Social $\rightarrow^{+}$ Satisfaction	**0.075*** (0.036)	(.0051 to .1452)

As can be seen from the table, post-investment behaviour acts as an indirect-only mediator in four out of six possible paths identified by the GSEM models in Table 10. The scenario presented is one of indirect-only mediation. While the mediated effect of post-investment behaviour is significant, the direct effect between motivation and satisfaction is not, as previously outlined. However, indirect-only mediation makes the existence of an omitted mediator in the proposed model unlikely (Jiang et al., 2021; Zhao, Lynch & Chen, 2010). The direction of the relationship between investment motives and satisfaction through behaviour should be interpreted by considering the direction of the single relationships between independent variable and mediator, and mediator and dependent variable, and thus their signs (Hayes, 2022, p.86), which can also be found in the above Tables 10 and 11.

Regarding utilitarian investments, there is a positive indirect effect of utilitarian motives on satisfaction through passive post-investment behaviour. In fact, the GSEM analysis previously revealed that the greater the utilitarian motivation, the greater the adoption of passive behaviour, which also has a positive relationship with investment satisfaction. Considering the relationship between expressive investment motives and satisfaction, it can be observed that it is mediated by two significative types of post-investment behaviours previously identified. Specifically, there is a negative relationship between expressive motives and satisfaction, when mediated by active-professional behaviour. The stronger the expressive motives, the higher the frequency of active-professional post-investment behaviour, but this behaviour then determines lower satisfaction and, thus, a final negative relationship between expressive motives and satisfaction when mediated by active-professional behaviour. In contrast, there is a positive relationship between expressive motives and satisfaction when mediated by active-social behaviour: the higher the expressive motivation, the higher the active-social post-investment behaviour and the higher the investment satisfaction. Finally, the stronger the emotional-thrill motives, the higher the following active-social behaviour, and the higher the investment satisfaction, which once again determines an overall positive indirect effect.

To conclude, the survey analysis revealed several significant relationships that contribute to our understanding of investors' behaviour. An in-depth discussion of these relationships is provided in Section 7.5.3. Meanwhile, the next section introduces an auxiliary examination that includes new findings obtained after splitting the sample of respondents according to various descriptive variables.

7.4.3 GSEM of Sub-Samples

The comprehensive analyses undertaken of the total respondent sample have yielded intriguing insights into the equity crowdfunding landscape. However, the survey methodology enabled the gathering of various descriptive variables which, thus far, have only been employed as possible control variables for investment satisfaction. Nevertheless, these variables also offer fertile ground for more granular explorations involving the splitting of data into sub-samples. In fact, it could be interesting to explore further how different types of investors (e.g., differentiated by age, etc.) may affect the relationships among investment motives, behaviours, and satisfaction within these subgroups. For this purpose, three variables were selected to guide the segmentation: “Age” of the respondents, “Year” (indicating the year of first investment), and “Amount_X_Inv” (representing the average amount invested).

The first interesting avenue of investigation involved dividing the respondent pool into two sub-samples according to their age brackets. It is indeed plausible to expect that investors from different age groups may possess divergent investment motives and behaviours. Such variation could be attributed to distinct life experiences, varying levels of financial stability, or the influence of generational trends (Feola et al., 2019; Zhang et al., 2018). Consequently, it is interesting to investigate whether the relationships among the key variables – investment motives, behaviours, and satisfaction – exhibit disparities across age-defined investor subgroups. The two subgroups selected were: those aged under 45 (155 investors) and those aged 45 or over (91 investors). The demarcation at 45 years was chosen by considering the balance of subgroup sizes and the potential relevance of such an age division. The outcomes of this investigation are available in Appendix H, which includes Models 4 and 5, the respective analyses of the sub-groups. It is important to note that the indirect effects are never examined because the sub-groups would be too small to obtain statistically meaningful results.

The analyses suggest intriguing variances in investment patterns between the two groups. Specifically, older investors do not exhibit a significant relationship between passive behaviours and any form of investment motives, suggesting that their investments do not lead to passive investment behaviours. Similarly, these investors show no significant relationship between utilitarian investment motives and any other type of post-investment behaviours. Intriguingly, they also display a negative relationship between Emotional-Support Investment Motives and Active Professional Behaviour. In contrast, younger investors demonstrate a different pattern. These investors reveal no significant link between Emotional-Thrill Investment Motives and any Post-Investment Behaviour, indicating a decoupling of the thrill of investment from post-investment actions. Furthermore, a negative relationship is evident between utilitarian motives and active professional behaviours among this group, suggesting a divergence in the way they perceive and react to utilitarian motives. In terms of the relationships between post-investment behaviours and satisfaction, passive behaviours and social behaviours lack significance among younger and older investors respectively.

The second variable considered, denoted as “Year”, refers to the year in which respondents initiated their equity crowdfunding investments. This variable is interesting because the number of years an investor has been participating in crowdfunding campaigns, and thus their investment experience, has the potential to shape their investment motives and behaviours (Kaustia & Knüpfer, 2008). Here, the sample was split between those who began prior to 2018 (141 investors) and those who commenced during or after 2018 (105 investors). This demarcation aimed to delineate potential nuances between “seasoned” investors (with longer investment experience) and “recent” investors (with less exposure to the investment landscape). Seasoned investors may have developed differentiated strategies or perspectives, due to their accrued experience. Similarly, they might be more conscious of how the market has evolved and have a longer learning curve or greater confidence in their investment decisions, which could influence their investment motives and subsequent behaviours.

As depicted in Appendix H (Models 6 and 7), the analysis uncovers intriguing patterns when examining the interplay between utilitarian and emotional-support investment motives and subsequent investor behaviours. For seasoned investors, there is a positive relationship between utilitarian motives and active post-investment behaviours. In contrast, emotional-support motives show an inverse trend, with a strong positive association with passive behaviours. Conversely, for recent investors, the patterns shift: utilitarian motives show a positive relationship exclusively with passive behaviours, while emotional-support motives align positively with active post-investment actions. This suggests that seasoned investors, driven by utilitarian motivations, are more likely to adopt active roles post-investment than their newer counterparts, who display a tendency towards passivity. However, when emotional-support motives are brought into focus, this trend reverses across the two investor groups. Furthermore, there is a positive relationship between emotional-thrill motives and active social behaviours among seasoned investors, which becomes non-significant among recent investors. These findings indicate variations in investment behavioural patterns based on experience, underlining the influence of investor maturity on the role of emotional investment motives.

Lastly, the third variable used, “Amount_X_Inv”, signifies the average amount that each respondent invests per deal, and was used to separate respondents into two distinct categories: “Micro-Investors”, who typically invest less than £1000 per deal (148 investors), and “Macro-Investors” who generally invest £1000 or more (98 investors). This division provides an intuitive understanding of the varied investment scales at which the two sub-groups operate. It is also an interesting variable to consider because the amount an investor is willing to contribute to each deal can indicate their risk tolerance, financial capability, and overall investment strategy (Cumming, Meoli & Vismara, 2019; Hornuf, Schilling & Schwienbacher, 2020; Lukkarinen et al., 2016; Sørheim & Landström, 2001). Furthermore, Mochkabadi and Volkmann (2020) have called for additional studies on the relationship between investment size and investors’ motivations in order to provide a clearer understanding of the crowd.

Upon examining the data (Appendix H, Models 8 and 9), we can see that Micro-Investors’ investment behaviours are only driven by expressive motives, which positively correlate with active behaviours and negatively with passive ones. This suggests a tendency towards active involvement post-investment when investment decisions are driven by expressive motives. In contrast, Macro-Investors display a wider array of investment behaviours: a positive association between utilitarian motives and passive behaviours is observed, with expressive motives linked only to professional behaviours, and emotional-thrill motives connected with active-social behaviours. This pattern denotes a more intricate interplay of motives and behaviours amongst Macro-Investors.

As for the relationship between post-investment behaviours and satisfaction, the analysis reveals no significant correlation with passive behaviours among Micro-Investors or with professional behaviours among Macro-Investors. This lack of correlation may suggest that the level of investment does not necessarily influence the satisfaction derived from different types of post-investment behaviours.

These secondary analyses illuminate the rich tapestry of investor behaviour in equity crowdfunding, emphasising the importance of demographic characteristics, investment timeline, and size in shaping investment motives and behaviours. The findings underscore the need for a nuanced understanding of investor profiles in order to nurture successful crowdfunding campaigns.

The following sections of this chapter delve into a detailed discussion of the overall survey results, commencing with the findings presented in Section 7.2 and continuing from there.

7.5 Discussion of Survey Results

The survey results offer various interesting insights into the relationship between investment motives, post-investment behaviours, and the satisfaction gained by the crowd from the whole equity crowdfunding experience, which determines their future investment intentions. Furthermore, the results of the factor analysis on investment motives provide insights into the application of Statman's (2017) behavioural finance model in the context of equity crowdfunding in the United Kingdom. Finally, the resulting factors involving passive and active behaviours (Schwienbacher & Larralde, 2012) by the crowd also present discernments on an important topic. Thus, the results are discussed according to the timeline of the research analysis.

7.5.1 Investment Motivations

The first factor analysis conducted on the investment motives of the crowd pointed to the relevance of Statman's (2017) framework to the context of equity crowdfunding in the UK. This factor analysis yielded four main factors, with an interesting reduction of all the emotional items considered into two types of emotional investment motives.

The first factor obtained summarises expressive motives: what does the investment "say about me to others and myself?" (Statman, 2017, p.17), which signal information to ourselves and others about the way we are and how we behave (our tastes and social identity). Hence, this factor includes items that allow for the externalisation of our choices and contains the motivations of connecting/collaborating with other investors and with the start-ups funded, as well as the need to become part of a community and gain a reputation/recognition or prestige as an investor. In fact, in order to satisfy expressive benefits, it is necessary to have the opportunity to share the investment experience with others and to be included and respected by the investment community (Statman, 2019; Wallmeroth, 2019). This aligns with previous research on equity crowdfunding, which suggests that expressive motivations may lead investors to search for connections (Allison et al., 2015) and develop collaborations with the start-up they have funded and/or with other investors (Di Pietro, Prencipe & Majchrzak, 2018).

The second and third factors identified in the analysis capture distinct emotional investment motives, presenting varying insights into the different feelings individuals have about their investments. These factors can be framed around the question: how does the investment "make me feel?" (Statman, 2019, p.12), but they generate very different insights, which are clearly divided between motivations related to the necessity of feeling good and emotionally connected to the start-up being funded on the one hand, and the search for thrills and challenge, determined by the unknown investment outcome, on the other. The second factor encompasses motives that revolve around the desire to support start-ups whose values and products align with the investor's preferences. This factor reflects the emotional connection and satisfaction derived from investing in companies that resonate with investors' personal values (Ordanini et al., 2011). Additionally, it includes motivations related to supporting the country's economy by contributing to innovation and employment (Estrin, Gozman & Khavul, 2018), which generate the emotion of "feeling good" when investing. These findings are consistent with prior research in both equity crowdfunding and business angel financing, which have emphasised the satisfaction derived from supporting the growth of start-ups and having a positive impact on society (Estrin, Gozman & Khavul, 2018; Feola et al., 2019; Katzenmeier et al., 2019; Landström, 1998; Ordanini et al., 2011; Wetzel, 1983; Wright, 2017).

The third factor obtained sheds light on an area of investment motivations within the crowd that has received relatively little attention in previous research. The emergence of this third factor indicates an intriguing aspect of the crowd's investment motives that warrants further investigation. The underlying items comprising this factor are grounded in behavioural finance theory, which suggests that investors are influenced by non-economic aspects, such as suboptimal beliefs and intuitions when making investment choices (Kahneman, 2003; Statman, 2014). This factor expands upon the understanding that investors may possess multiple risk tolerances that vary across different asset classes (Pan & Statman, 2012), in which equity crowdfunding investments represent the riskiest. In the case of equity crowdfunding, the observed investment motives embedded in the third factor of emotional-thrill are associated with the pursuit of excitement, thrill, and the challenge of identifying future successful companies, or "unicorns", all while deriving enjoyment from the investment process. This classification aligns with research conducted by Bento et al. (2019) on the possibility that crowdfunders are driven by behavioural reasons, as evidenced by the mismatch between the returns obtained and the inherent risks of the projects. Daskalakis and Karpouzis (2021) further discuss the importance of investment excitement for equity crowdfunders. Similar findings have been reported in previous research on angel financing, where business angels were found to seek a combination of financial gain and the enjoyment of the investment process

(Mason & Harrison, 2002a). Additionally, Estrin et al. (2018) have highlighted the high risk tolerance of the crowd, which is consistent with the third factor's findings. Therefore, this third factor provides valuable insights into non-economic factors, such as the pursuit of thrill and challenge in the context of equity crowdfunding. These findings warrant further investigation and contribute to the growing body of literature on the behavioural aspects of equity crowdfunding, while providing a more nuanced application of Statman's framework.

The final factor identified in the analysis pertains to utilitarian investment motives, reflecting the question: what does the investment "do for me and my wallet?" (Statman, 2019, p.12). This factor is representative of the search for a financial return by the crowd, aligning with prior research that has emphasised the importance of financial gain in the decision-making process (Block et al., 2018; Cholakova & Clarysse, 2015; Zhang et al., 2017). It is also noteworthy that, despite the recognised importance of tax relief schemes as a financial investment motivation, as highlighted in previous studies (Hornuf, Schmitt & Stenzhorn, 2018; Zhang et al., 2017), these schemes were not found to be significantly correlated with the objective of obtaining a financial return in this analysis. Consequently, they could not be included in the factor analysis.

In conclusion, the results of the factor analysis provide empirical support for the investment motive conceptual framework initially proposed in Chapter 5. They also align with previous findings on the heterogeneity of investment motives among the crowd. Previous research by Feola et al. (2019) has emphasised that equity crowdfunders possess varying levels of intrinsic motivation that guide their investment choices, which is consistent with the current study's findings. Moreover, the results confirm the great importance of obtaining positive financial outcomes from investments, as reported in earlier studies (Cholakova & Clarysse, 2015; Collins & Pierrakis, 2012; Ordanini et al., 2011; Zhang et al., 2017). Overall, these results carry practical implications for investment platforms and entrepreneurs seeking to gain a better understanding of the motivations that drive the crowd in the context of equity crowdfunding.

7.5.2 Post-Investment Behaviours

The second factor analysis, focusing on post-investment behaviours, reveals various findings that contribute to a refined understanding of investment behaviours within the crowd. This analysis resulted in the reduction of behaviours into three main categories: passive, active-professional, and active-social behaviours.

Hornuf et al. (2020) and Schwienbacher and Larralde (2012) first introduced the distinction between passive and active investments by the crowd. Building upon this categorisation, Di Pietro et al. (2018) further expanded the understanding of these behaviours. In fact, while the utility of active behaviours has been thoroughly explored in the literature on professional or institutional investors, such as business angels and venture capitalists (Aernoudt & Erikson, 2002; Gompers & Lerner, 2001; Lumme, Mason & Suomi, 1996; Mason & Harrison, 1996; Politis, 2008; Wiltbank, 2005), there has been a relative lack of research on the behaviours exhibited by the crowd, primarily due to the generally low contractual power of these investors (Hornuf & Schwienbacher, 2016).

Entrepreneurs are the key enablers of possible active behaviour by the crowd, given that the majority of investors possess only a very small percentage of shares, with no additional rights (Collins & Pierrakis, 2012; Drover et al., 2017). However, interacting with the crowd requires significant effort and time investment (Moritz, Block & Lutz, 2015), which can lead to concerns about "information congestion" from the perspective of some entrepreneurs (Brown, Mawson & Rowe, 2019; Cumming, Vanacker & Zahra, 2021). Despite these challenges, Di Pietro et al. (2018) have highlighted the crowd's value as an important asset for open innovation, justifying the effort required of entrepreneurs to deal with these investors. These considerations underline the complexity and dynamics involved in post-investment behaviours within the context of equity crowdfunding, highlighting both the challenges and potential benefits associated with active behaviours.

The results of the factor analysis are therefore particularly important, because the first factor obtained, Active-Professional Behaviour, summarises variables representative of behaviours that the literature usually associates with professional and institutional investors such as business angels and venture capital funds (Aernoudt & Erikson, 2002; Gompers & Lerner, 2001; Wiltbank, 2005). These variables include offering professional experience, business connections, or participating on the start-up board or advisory board. The analysis also indicates a positive relationship between this factor and investors who are entrepreneurs, or start-up founders, or who possess a business degree, suggesting that investors with relevant competencies are willing to help start-ups. The second factor, Active-Social Behaviour, encompasses a range of post-investment behaviours that indicate active engagement in supporting start-ups through relationship building and networking. This includes actively monitoring the start-up's progress, facilitating the introduction of new investors to the company, providing feedback on the product, and promoting the start-up on social media (Di Pietro, Prencipe & Majchrzak, 2018). Finally, the third factor, Passive Behaviour, groups behaviours that involve avoiding engagement with the start-up after the investment (Block et al., 2018) and taking only a passive interest in the start-up's situation while waiting for an exit. At a descriptive level, the second and third factors represent the most common behaviours, on average. These findings contradict the notion of the crowd as a simple passive resource provider (Blaseg, Cumming & Koetter, 2021; Block et al., 2018). Overall, the results of this factor analysis reveal the complex dynamics of post-investment behaviours within equity crowdfunding, challenging the notion of the crowd as purely passive investors.

Finally, the contribution of the survey analysis concerns the relationships identified between investment motives, post-investment behaviours, and investment satisfaction. The analysis provides insights into how the investment motives that drive individuals to engage in equity crowdfunding are related to their subsequent post-investment behaviours, and how the two may influence the crowd's overall investment satisfaction and future investment intention.

7.5.3 The Relationships between Investment Motives, Post-Investment Behaviours, and Satisfaction

This research set out to explain possible relationships between investment motives and post-investment behaviours, using a structural equation model describing their potential influence on the crowd's investment satisfaction. Various research hypotheses were developed on the basis of past literature on equity crowdfunding and other providers of early-stage capital as business angels. These hypotheses were tested using data collected from 246 equity crowdfunding investors and reported mixed results.

When considering expressive and emotional motives and their relationship with post-investment behaviours, it was hypothesised that such motivations are positively related to active behaviours, manifesting as the likelihood of interacting with the firm's management or other investors (Brown et al., 2018; Moritz, Block & Lutz, 2015; Wald, Holmesland & Efrat, 2019) following the investment.

In the case of expressive motives, these hypotheses are supported, because these motives show a positive relationship with both active-professional and active-social post-investment behaviours, while having a negative relationship with passive behaviour. The analysis reveals that the need to convey values, tastes, or status (Statman, 2019) is related to the choice of offering professional experience, introducing personal network contacts, or actively promoting the start-up on social media (Di Pietro, Prencipe & Majchrzak, 2018). Furthermore, motivations such as developing collaborations and connections with the start-ups and other investors, becoming part of a community, and gaining reputation/recognition or prestige as an investor (Collins & Pierrakis, 2012; Moysidou, 2017; Schwienbacher & Larralde, 2012), relate to the choice of assuming active post-investment behaviours. The "externalisation" of the investments may lead to the fulfilment of expressive motives and be concretised through an active and varied post-investment behaviour. Therefore, the relationship between expressive motives and investment satisfaction is positive when mediated by active-social behaviour.

In the case of emotional motives, the results were unexpected, because the analysis identifies a positive relationship between passive behaviours and emotional motivations such as the need to support a start-up whose product the investors care about (Ordanini et al., 2011), or the desire to encourage innovation (Estrin, Gozman & Khavul, 2018) and economic growth, due to feelings of social responsibility (Feola et al., 2019), or the need to give back to start-ups (Zhang et al., 2017). Furthermore, no significant relationship was identified between active behaviours and emotional (support) motives. Such results suggest the possibility that motives such as the necessity of supporting the start-up being funded lead to satisfaction through the simple act of investing. The crowd might trust the start-up to become successful without needing to be involved in the process, forgetting about the investment until an exit opportunity arrives and passively waiting for investor updates and newsletters (Blaseg, Cumming & Koetter, 2021; Block et al., 2018; Hornuf, Schilling & Schwienbacher, 2020). In such cases, it is thus possible that the post-investment experience is not relevant in comparison to the time leading up to the investment, or the act of investing itself.

In contrast, the analysis shows that other emotional investment motives related to the thrill of the chase, fun, and challenge when investing (Daskalakis & Karpouzis, 2021; Estrin, Gozman & Khavul, 2018; Katzenmeier et al., 2019; Zhang et al., 2017), are positively correlated to active-social post-investment behaviours, which enable the investor to remain informed about the progress of the start-up. Thrill-related motives obtain higher satisfaction through active monitoring of the potential success of the investment. The post-investment phase appears to be more important in the case of emotional-thrill motives than for emotional-support motivations. Consequently, the analysis outlines a positive indirect mediating effect of emotional-thrill motives, acting through active-social behaviour, on investment satisfaction.

The findings related to utilitarian motives align with those of emotional-support motives, with the analysis indicating a positive relationship between utilitarian motives and passive post-investment behaviours. These partial results are consistent with the strand of past literature portraying the crowd as a passive resource provider, driven by financial motives (Blaseg, Cumming & Koetter, 2021; Block et al., 2018). This alignment between utilitarian motives and passive behaviour suggests that individuals primarily driven by financial gain might adopt a more hands-off approach following their investment. They may perceive their role as limited to providing financial support and may not actively engage with the start-up beyond that point.

Furthermore, there is an observed positive indirect effect of utilitarian motives on investment satisfaction, acting through passive behaviour, which suggests that individuals with strong utilitarian motives are more likely to find satisfaction in their investment when they adopt a passive stance. This finding implies that achieving financial goals and maintaining a more detached involvement in the start-up's activities contribute positively to overall investment satisfaction.

To sum up, the results show that passive or active-social behaviours are positively correlated with investment satisfaction, while the relationship is negative when considering active-professional behaviour. A possible interpretation of such findings is that the adoption of behaviours similar to those of professional investors (VCs, business angels) leads investors to obtain superior insights or greater interest in the progress made by the business and the financial situation. However, given the statistics on death and stagnation rates of equity crowdfunded companies (Beauhurst, 2020), it is possible that this enhanced knowledge might result in reduced information asymmetry. This could lead to lower investment satisfaction if the companies are underperforming or agency issues arise. Another possibility is that such behaviours might not be appreciated by the start-up's management: if entrepreneurs find the investors' activism unnecessarily time-consuming, they might not support it (Brown, Mawson & Rowe, 2019; Moritz, Block & Lutz, 2015), and ignore or disagree with the investors, hence diminishing their investment satisfaction. In contrast, behaviours that are mainly passive or limited to monitoring or promoting the start-up on socials will not lead to the same problems; hence, the investment satisfaction of the crowd will be higher. Furthermore, due to the negative relationship between active-professional behaviour and satisfaction, the indirect effect of expressive motives on investment satisfaction is negative if there is engagement in active-professional behaviour.

However, as previously introduced, the indirect effect of expressive motivation on satisfaction is positive when mediated by active-social behaviour. When expressive motives are followed by active-social behaviours, such as the choice to support the start-up by active monitoring and brand ambassador activity on socials, or introducing new investors to the company, and providing product feedback (Di Pietro, Prencipe & Majchrzak, 2018), they are related to higher investment satisfaction and, thus, to positive future investment intentions.

Furthermore, four control variables revealed relationships with investment satisfaction. Firstly, having invested more recently leads to greater satisfaction. This result could be explained in relation to the findings of Estrin et al. (2018), who conducted double interviews with equity crowdfunding investors at an interval of two to three years, and reported that some of them became disillusioned with the low success rate of start-ups and the time horizon needed to recover their investments. Consequently, having longer experience could lead to dissatisfaction if the outcomes are not what was expected.

Another variable showing a positive relationship with satisfaction is the number of investments made. In fact, investing in many start-ups may help reduce the overall risk by increasing the likelihood that at least one investment will be successful. Diversification is considered important in equity crowdfunding (Baeck, Collins & Zhang, 2014) and among other equity investors such as business angels or venture capitalists (Antretter et al., 2020). Finally, regarding the role of investors' location of residence, UK residents are less satisfied than those investing on UK platforms but resident elsewhere. This finding is interesting and deserves additional investigation, because the opposite result was expected given that UK residents have the right to obtain substantial tax relief. The United Kingdom's EIS and SEIS schemes ensure 30 to 50% tax relief and no capital gains tax on profits from the sale of shares after a three-year holding period, as well as tax relief on losses up to 80%, depending on the individual's tax bracket (Cicchiello, Battaglia & Monferrà, 2019). In fact, 62% of the UK equity crowdfunders surveyed by Zhang et al. (2017) declared that tax relief was an important factor in their investment decision. Lastly, gender also plays a role, with male investors seeming to be more pleased with their investments than female crowdfunders. However, only 6% of the respondents in this study are women, a number that is consistent with previous reports on equity crowdfunding in the UK (Zhang et al., 2018, 2017).

In conclusion, the findings highlight the importance of different types of behaviour and motivation in influencing the investment satisfaction gained from equity crowdfunding, while additional variables, such as the number of investments made, the number of years the investor has been involved in equity crowdfunding, country of residence, and gender, all contribute to the overall satisfaction of investors. These findings provide interesting insights into the aspects that influence satisfaction levels and shape future investment intentions in the context of equity crowdfunding.

7.5.4 Discussion of Sub-Samples

The segmentation of the sample data based on different investor attributes – age, year of first investment, and average investment amount – has yielded several compelling insights that illuminate the complex interplay between investment motives and subsequent investor behaviours and satisfaction (data in Appendix H). The following discussion mainly centres on the results obtained when comparing the relationships between investment motives and post-investment behaviours. In fact, a few discrepancies were found when considering post-investment behaviours and satisfaction; however, they simply result in some relationships lacking significance, which should be further investigated and interpreted through an analysis of indirect effects, such as the one conducted in Section 7.4.2 on the entire sample. However, any result would be questionable from a statistical perspective due to the small size of the two sub-groups; hence, such an analysis was not conducted.

When the division between older and younger investors was explored, an intriguing generational divide emerged. Age is a crucial demographic factor that may affect individuals' investment decisions (Feola et al., 2019). Differences in life experience, or financial priorities between younger and older individuals, may lead to diverse behaviours (Dohmen et al., 2018). In this analysis, older investors, those aged 45 and above, exhibited a preference for expressive and emotional investment motives, which subsequently led to active post-investment behaviours, consistent with the research hypotheses. Interestingly, in this demographic, utilitarian investment motives and any potential relationship with passive behaviours do not register statistical significance. This finding suggests that older investors are primarily driven by non-financial motives in their investment decisions, and are more likely to engage actively post-investment.

In contrast, younger investors display a more heterogeneous mix of behaviours, incorporating utilitarian motivations and passive post-investment behaviours. Intriguingly, within this subset, there is no significant relationship between emotional-thrill investment motives and any post-investment behaviour. This lack of connection implies that the initial excitement associated with investment does not necessarily translate into specific post-investment actions amongst the younger demographic.

Next, by distinguishing between seasoned and recent investors, I considered a proxy for investor experience. Prior literature has suggested that investment experience influences investor behaviour and decision-making (Barber & Odean, 2001). For instance, experienced investors might be better at processing information and making investment decisions due to their accumulated knowledge (Seru, Shumway & Stoffman, 2010). Therefore, comparing “seasoned” and “recent” investors can provide insights into the learning curve involved in equity crowdfunding.

In this case, the results uncover notable patterns in the relationship between utilitarian and emotional-support investment motives and investor behaviours. Seasoned investors driven by utilitarian motives lean towards active post-investment behaviours. In contrast, emotional-support motives among this group tend to correlate with passive behaviours. Conversely, recent investors flip this trend, demonstrating a positive association between utilitarian motives and passive behaviours, and emotional-support motives and active behaviours. These findings could imply a noteworthy shift in investor behaviour over time, reflecting the changing dynamics of motivations as investment experience grows. Investors with utilitarian motives might shift from passive to active behaviours, while investors with emotional-support motivations might follow an opposing trend in the long run.

Lastly, the analysis regarding the average amount invested per deal might reflect an investor’s financial capacity, risk tolerance, and/or level of commitment. Research has shown that these factors can play a pivotal role in investment decision-making (Hallahan, Faff & McKenzie, 2003). By segmenting investors into “micro-investors” and “macro-investors”, it is possible to explore how different levels of financial investment influence both motives and post-investment behaviours.

Micro-investors revealed that expressive motives strongly influence their investment decisions. These motives correlate negatively with passive behaviours, while positively driving both types of active post-investment behaviours. This suggests that the investment decisions and subsequent actions of micro-investors are significantly shaped by personal, expressive reasons. On the other hand, macro-investors manifest a diverse range of motive-behaviour relationships. This diversity implies a broader spectrum of investment motivations at work, suggesting that larger investment sizes may elicit a more varied set of behaviours post-investment.

In essence, these findings highlight the importance of considering investor segmentation when analysing the intricate relationship between investment motivations and post-investment behaviours. Different investor characteristics may shape the connections between motives and behaviours, offering a richer, more nuanced understanding of the dynamics within the investment landscape. The ability to tailor platform communication and investor support to these differing groups could be crucial in nurturing a successful and inclusive investment environment.

7.6 Concluding Remarks and Introduction to the Next Empirical Chapter

Upon completing the survey, respondents were given the opportunity to leave comments regarding their answers or any additional information they wished to share. Of the total of 246 respondents, 25 chose to do so. Some comments were supportive in nature towards the author of the survey, and wished good luck with the research. Others were particularly interesting, contributing to the decision to further investigate the topics that were the object of the survey during the subsequent empirical phase of the study. In fact, it appears that some users felt the need to clarify whether they were satisfied with the investment experience, why they keep investing in equity crowdfunding, and their eventual decision to stop or continue investing.

Certain respondents exhibited a positive outlook towards equity crowdfunding, expressing their faith in their investments' potential. For example, one respondent stated that they had a: "generally positive experience with ECF", while another commented: "I love ECF and think it will only get better in terms of technology, regulation, opportunities, reporting and hopefully profitable exits. Good luck with the studies…"

In contrast, some respondents exhibited a negative outlook towards the platform Crowdcube, with two respondents stating: "I've stopped using Crowdcube as don't trust them" and "I have scaled back my investment in ECF. my preference is to make repeat investments in my portfolio businesses which are making progress. (…) have all but stopped investing on Crowdcube which I view as a very second rate site and the quality of comments on individual pitches can be very poor." Similarly, other respondents also criticised the platforms and lamented a lack of due diligence on their part: "Short-term of ECF platforms misaligned with investors. They allow companies that shouldn't pass due diligence because they earn fees. It might hurt them in the long term, but they are hoping that a couple of good exits will make us all forget." Another wrote: "Misrepresentation and an absence of due diligence on the part of platforms are a major problem with ECF in the UK, it is treated by many companies as 'dumb' money and it is difficult to justify involvement because of this."

Some respondents sought to reiterate their investment motivations. For instance, one respondent highlighted their desire to feel connected to start-ups and to understand how companies use their investments, stating: "It is important to me to invest in companies that I use and that use my investment to directly employ people – unlike 'investing' in shares that are almost meaningless to how employing people except for takeovers, etc." Another respondent emphasised their investment strategy, which focuses on supporting specific sectors and disruptive business models: "I often invest in sectors I want to grow/perform well. eg UK Manufacturing, green tech. I also try and invest in businesses offering new platforms or business models that i see offer the chance of genuine disruption. ECF enables these objectives." In contrast, one respondent viewed equity crowdfunding as an opportunity to generate wealth, stating that: "ECF has the potential to democratise wealth... The way I look at it is my potential downside is 1x... my potential upside is 100x."

On the other hand, some respondents emphasised their awareness of the risks associated with equity crowdfunding and whether they succeed in managing them: "ECF is high-risk investing and near similar to AIM stock market investing whereby comprehensive background research can help mitigate risk...but the market/start-ups are inherently very insecure investments because of ever changing external events." And: "you really have no idea which business is going to zero or 100x. I've been fairly lucky overall, but in general the risks and liquidity aren't compensated well enough compared to the public markets."

Other respondents added: "ECF has been a large part of my early strategy at a young age and will slowly pivot into more 'safe' and less volatile investments as time goes on." And: "diversification is an important aspect when investing high risk. I spread relatively small amounts across various companies and do P2p, too. Ca 1% of networth in Seedrs and 6–7% P2P." Another respondent justified the moral need for equity crowdfunding, manifesting confidence in their ability to select future successful companies: “I used to work in Venture Capital before so I know what I am doing. I have invested in multiple unicorns via ECF before they became unicorns. I acknowledge though that most startups will fail and it can be difficult for non-insiders to select the right companies. However, I believe in a free capitalist society I believe it’s more imporant to give people the choice to invest and get rich than to protect them too much. If ECF was illegal or as hamstrung as it is in the US then only already rich people can invest, keeping the poor poor and making the rich richer.”

However, a few respondents also wanted to express their criticisms of the behaviour of entrepreneurs following a successful campaign, and manifested their insecurities regarding equity crowdfunding and its future. These respondents highlighted a lack of trust in the companies themselves and the way they act: “Will probably not investing in ECF again unless it is a very good investment case. The companies need to engage more with investors; some are very good but others are terrible.” Or: “The problem is that it is inevitable the invested company will pivot and often that is in a completely different direction to the basis for your investment decision. There is a lack of communication or listening to investors experiences and no opportunities to exit.” And: “A significant concern from a number of companies is what appears to be deliberate avoidance of communication ie shortening & or lengthening accounting periods to avoid filing company accounts – the founder continuing to draw a salary and then closing the company without any accounts saying no money left.”

Finally, one investor took the side of the entrepreneurs and stated: “ECF is facing many challenges, from both sides, founders/companies as well as investors. Lack of experience, unrealistic expectations and the administrative burden afterwards are the most common, just to mention a few. ECF is not the right choice for everyone.”

While it is obvious that those who chose to leave a comment were mostly dissatisfied investors, their statements reveal a need to dig deeper into the topics of investment motives, behaviours, and satisfaction. In particular, the variable used to measure overall satisfaction in the survey is limited in its capacity to fully capture the complexity of the crowd’s investment experience, suggesting the need for a more nuanced perspective. As a consequence, the next empirical phase of this study was conducted qualitatively, by means of netnography.

8. Forum: Analysis and Discussion

The results of this chapter's analysis and discussion have been published in the paper by Civardi, Moro and Winborg (2023). The preceding empirical chapter of this dissertation provided an initial application of Statman's framework of investment motives in the context of equity crowdfunding. Specifically, that chapter explored the relationship between investment motives and the post-campaign behaviours of equity crowdfunders, as well as the overall investment satisfaction of the crowd. The latter was measured in the survey as future investment intentions of the participants, capturing their willingness to continue investing in equity crowdfunding, based on their investment experiences to date.

This empirical chapter builds and expands upon the findings of that survey analysis, by providing a more nuanced view of the themes of investment motives and behaviours of the crowdfunding community. In particular, the chapter expands the analysis of "active" investment behaviours and focuses on identifying the challenges the equity crowdfunders faced during their investment activities, in light of their investment motives. This chapter is based on a qualitative analysis of 1130 online comments from 20 users of the Freetrade forum. Each of these users posted at least 20 comments on the two primary threads related to equity crowdfunding within the community. The analysis involved a scrutiny of the comments with the purpose of integrating these findings with those previously obtained from the quantitative analysis, thereby providing a more comprehensive and detailed understanding of the identified themes.

The results of this analysis led to the expansion of the themes related to investment behaviours, encompassing both the investment/campaign phase and the post-campaign phase. Similarly, the concept of satisfaction is now considered from the perspective of dissatisfaction, through an identification of the challenges faced by the crowd during their equity crowdfunding experience, in the pursuit of their investment motives. The analysis also draws new conclusions about the relationships between investment motives, behaviours, and problems faced by the crowd. As a consequence, four propositions were used in the development of the final framework for future research, which aims to enable the further refinement of the conceptual domain of equity crowdfunding.

8.1 Data Analysis Method

The analysis follows the established process of thematic analysis developed by Braun and Clarke (2006), which is commonly used in netnographic studies (Heinonen & Medberg, 2018), due to its flexibility and theoretical freedom. The analysis consists of six stages, previously outlined in Section 6.4.3. These stages are carried out in an iterative mode. They first involve familiarisation with the data and subsequent transcription, followed by the generation of initial codes, their collation into potential themes, and a review of these themes. The fourth step checks whether there is consistency between the coded extracts and the entire data-set, leading to the generation of an analytical map. Lastly, the themes are refined and named, and the final report is produced, laying out the interpretation of the themes in the context of the conceptual framework (Boyatzis, 1998, p.11; Braun & Clarke, 2006).

Thematic analysis can lead to different types of analysis, ranging from the provision of a very rich description of the entire data-set, to a more in-depth or nuanced interpretation of particular themes within the data. In addition, the identification of themes within a dataset can be accomplished through two principal approaches: an inductive/bottom-up methodology, or a theoretical/deductive/top-down approach (Boyatzis, 1998; Braun & Clarke, 2006).

The first approach adopts a wholly data-driven orientation, with codes crafted empty of any a priori framework. The research query is then shaped and refined during the course of the coding process. Conversely, the second approach sees the researcher's analytical or theoretical inclination guiding the coding process (Boyatzis, 1998, p.29). There are pros and cons to both approaches; however, the analysis conducted in this document predominantly follows the second approach due to having already established the initial research framework and obtained results from the survey stage of the research.

In fact, the forum data was initially approached when searching for quotes related to the investment motives and behaviours of the forum users/investors, without any expectations regarding the results. Upon relevant evidence being found, the search for investment motives was once again guided by Statman's

(2017) framework, as a macro-categorisation of investment motives. Furthermore, given that the survey analysis was conducted prior to this investigation, it was impossible not to be conscious of the antecedent findings, and the research objectives themselves are oriented towards expanding and enhancing the survey results. While this approach can indeed restrict the analytical field, it can also augment the analysis by sensitising the researcher to the finer aspects of the data (Braun & Clarke, 2006).

Consequently, after having familiarised myself with the data, it became clear that this material could provide additional insights regarding the behaviour of the crowd, specifically encompassing active behaviours both during the campaign and post-campaign. In addition, the role of the problems or challenges faced by the crowd during their investment experience emerged as a dominant theme, which had not been considered beforehand. This led to the development of a more elaborate and detailed framework during the final stage. As a result, the dataset is defined by the particular subjects of interest within the data and encompasses all instances of text that refer to it. The first phase of familiarisation was fundamental in defining what is interesting about the data, and was followed by the second step of generating the initial codes.

The preliminary analysis was performed with the support of NVivo (1.7.1) and resulted in 412 relevant quotes organised across 48 initial codes, loosely structured around the research question. In fact, I adhered to Braun and Clarke's (2006) recommendation by identifying as many potential patterns as possible, during as many rounds of coding and collation as necessary, until I had achieved a satisfactory level of conceptualisation of the codes.

These initial codes serve as the essential constituents that are later synthesised to form themes, as the third and fourth stages of the process involve arranging all the various codes into prospective themes based on their shared meaning, and continuously reviewing them. Multiple codes sharing a common concept can be collapsed, while those already representing an "over-arching narrative within the data" can become sub-themes (Byrne, 2022, p.1403). The review process is also fundamental because some candidate themes might not really fit with the data (internal homogeneity), or they might need to be collated or separated, because all themes should also be evident and distinct (external heterogeneity) (Patton, 1990).

Subsequently, the codes underwent a process of refinement, culminating in the assignment of their final names. At the end of the process, the 48 initial codes ended up forming 28 sub-themes, which were grouped into eight main themes. Although a mind-map can potentially serve as a visual manifestation of the themes, it was deemed clearer to exhibit them in tabular format (Table 13) in the present scenario, reserving the visual representation for the subsequent stage of constructing the definitive framework. The table is presented below.

Table 13.
Forum Data Overview.

Sub-themes	*Main themes*
Financial return (FR) Tax and loss relief (TLR) High-risk appetite and loss tolerance/Unicorn (HR) Self-efficacy (SE)	Utilitarian Motives
FOMO (FO) Search for fun/thrill (SFT) Support liked entrepreneurs/teams (SLE) Support valued projects (SVP)	Emotional Motives
Investment disclosure (ID) Societal contribution (SC) “Expert” recognition (ER)	Expressive Motives
Reinforcing emotional motives (REM) Reinforcing utilitarian motives (RUM)	Reinforcing role of Expressive Motives
Contact entrepreneurial team (CET) Discussion board (DB) Discussion among each other (DEO) Expert opinions (EO)	Campaign Behaviours
Monitoring and news sharing (MNS) Asking for guidance (AG) Brand ambassador (BA) Contact entrepreneur (CE) Contact platform (CP)	Post-Campaign Behaviours
Lack of platform communication (LPC) Lack of entrepreneurial communication (LEC) Lack of control (LC)	Challenges to Satisfaction of Emotional and Expressive Motives
Lack of monetisation (LM) Early exit (EE) Investment failure (IF)	Challenges to Satisfaction of Utilitarian Motives

The analysis revealed the existence of 13 sub-themes related to four principal themes pertaining to investment motivations and their relationships. Two more main themes introduce the pre- and post-campaign behaviours of the crowd, as perceived in the context of the investment benefits pursued, composed of four and five sub-themes, respectively. The last two main themes identified, and their respective three sub-themes each, address the challenges to the satisfaction of the investment motives, and so the obstacles encountered in fulfilling the investment objectives.

While the document structure of much academic output normally differentiates between the results and discussion sections, it is recommended to synthesise and contextualise the data simultaneously when performing thematic analysis (Byrne, 2022). As a consequence, the results are both presented and discussed in the next section through the use of representative quotes. The forum quotes are reported in tabular format in Appendix I.

Note that, in order to conceal the names of the companies and equity crowdfunded platforms that are the objects of discussion and criticism, their names were replaced by the words "*Company*" and "*Platform*" during the data collection stage. Similarly, the pseudonyms that the users employed on the forum have been substituted with a user/investor number ranging from 1 to 20. Finally, none of the comments collected and quoted have been corrected for mistakes, and emoticons have been included in a written format to maintain the tone intended by the users (e.g., ":smile:").

8.2 Results and Discussion: Investment Motives

8.2.1 Utilitarian Motives

The first theme outlined, of utilitarian motives, groups together four sub-themes that appeared to be particularly interconnected during the analysis. As described in prior sections of this manuscript, other scholars have previously illustrated the significance of equity crowdfunders' utilitarian investment motives, in the form of anticipation of pecuniary gains (Cholakova & Clarysse, 2015; Collins & Pierrakis, 2012; Ordanini et al., 2011; Zhang et al., 2017). Hornuf and Schwienbacher (2018, p.558) define equity crowdfunding as "a category of crowdfunding, in which backers expect financial compensation for their investment": dividends, capital gains, and also the post-investment tax deductions that many countries offer. As a matter of fact, the empirical evidence reveals multiple occurrences of investors expressing their investment objectives in terms of financial returns when conversing. In some instances, such motives are visible because the investors deem their actualisation to be inadequate: "I don't believe that x1.5 is a great return!" (I2_FR[4]) and "Given the high failure rate of early stage investing 4.3x over 7 years would be below par" (I4_FR). Another investor has a more positive view of unrealised gains and suggests increasing the amount invested in order to achieve a higher potential return: "that's a 5X return in 18 months in theory and their trajectory is exciting", and "If you have *Company* and *Company* you've already picked a couple of potential winners (as it looks at the moment). The advice I've seen on these is to more than double down" (I12_FR). Similarly, Investor 16 expresses their hopes about the future valuations of two companies they have invested in:

> Getting excited here :slight_smile: Hope *Company* is not raising soon and the advance subscription converts to £60M valuation. It would be good for those who subscribed as we can be very hopeful of a much higher valuation in the next round. I also hope *Company* speeds up their expansion. (I16_FR)

Analogously, Investor 17 is hopeful about the future of their investment and leaves no doubt regarding their original investment intention: "Time will tell. We are here to make money! :slight_smile:" (I17_FR). Similarly, another user states the importance of financial returns, but also opens up the dialogue to other types of investment motive, such as the importance of sharing the mission of the company: "As much as I like the mission, return criteria have to fit too" (I14_FR).

Another important sub-theme relates to the need to reduce the uncertainty of the investment and the potential financial loss thanks to governmental tax and loss relief. The United Kingdom's governmental regulations eagerly promote investment in nascent and small firms, as evinced by the EIS and SEIS schemes that ensure 30 to 50% tax relief and no capital gains tax on profits from the sale of shares after a three-year holding period, as well as tax relief on losses of up to 80%, depending on the investor's individual tax bracket (Cicchiello, Battaglia & Monferrà, 2019). Indeed, certain prerequisites can have an impact on the aggregate earnings accrued by investors. The mandate of maintaining a three-year holding period before receiving tax relief may result in disappointment if a company provides an exit to its investors before this deadline, as one investor recounts when describing the only positive exit they have had so far: "Only one positive return but they sold out before the three year EIS period so return was reduced" (I10_TLR).

[4] The notation "I2_FR" refers to investor/user number 2 and the sub-theme "Financial Return" (FR) as set out in Appendix I.

Nevertheless, the presence of such tax schemes has resulted in a substantial proportion of the UK equity crowdfunders who participated in a survey conducted by Zhang et al. (2017) identifying the significance of tax relief in their investment decisions. These schemes are a way to recover part of the investment while waiting for an exit (tax relief) or part of the losses encountered (loss relief). Various users underline the importance of being able to recover part of the lost capital: “EIS relief is a must unless they are an existing investment” (I11_TLR), and “I typically only invest in EIS eligible companies through crowdfunding” (I19_TLR).

Investors 10 and 12 also communicated their eagerness to finally receive news of the failure of their investments, because it would enable them to claim their loss relief officially, retrieving a certain degree of liquidity: “Just waiting for the final demise so we can at least claim the EIS loss relief” (I10_TLR), and “I’ve just been doing my tax return for the year (yuck) and am hoping to get some relief from my EIS and SEIS investments that didn’t make it” (I12_TLR). Similarly, another user expresses appreciation for the scheme, while outlining open displeasure towards the failed company: “Pretty sure I claimed tax relief on this dog about 3 years ago” (I18_TLR).

Moving away from the relatively straightforward discussion of utilitarian investment drivers provided by the two sub-themes explored so far, the next identified sub-theme is labelled: “High risk-appetite and loss tolerance/Unicorn”. This sub-theme initially encompassed several codes, which were later consolidated due to their highly interconnected subjects. The concepts of high risk-appetite and tolerance for losses is better explained when considering the risk profile of those who engage in entrepreneurial activities. Moskowitz and Vissing-Jørgensen (2002) provide a rationale for the uninviting risk–return ratio associated with entrepreneurs’ investments, citing elevated risk-appetite, augmented pecuniary incentives, over-optimism, misjudgement of risks, and an inclination towards skewness. In the context of equity crowdfunding, the latter is represented by the appeal of low probabilities of exceptionally high returns, while being aware that most of the start-ups invested in will fail (Estrin, Gozman & Khavul, 2018). Surprisingly, investors seem to be at peace with that, as suggested by User 1: “you need to accept that most of your investments will fail and the hope/personal due diligence is there to hopefully pick enough winners to balance the books. But don’t invest in private equity (or crypto) unless you are willing to lose it all”, or “it was one of my crazy WTH investments which I let myself make every now and then :wink:” (I1_HR).

As previously noted, the themes of high risk-appetite, loss tolerance, and pursuit of unicorns (i.e., companies with a future valuation of $1 billion) have been collated during the concluding phase of the analysis due to their interdependent nature. It is evident that the rationale behind the acceptance of elevated probabilities of investment losses is the quest for unicorns, which aligns with the high-risk inclination of the crowd. In relation to their losses and hopes, User 2 writes: “Thats me £5000 down the swanny, you win some (*Company*) you lose some!”, “yes they will easily be a unicorn when that happens!”, and “I have this down as a jackpot investment” (I2_HR). The terminology used strongly resembles that of a betting situation. Similarly, User 3 outlines: “This is high risk high reward”, “That’s why if you can nail this type of business the size of the prize is colossal but of course high risk. Just the way I like it :ok_hand: :smile:”, and “They could easily scale up to a unicorn if they get this right” (I3_HR). The selection of investee companies is also determined by their plan to become unicorns: “Very nice progress and incredibly detailed business plan / path to reach unicorn status by 2026” (I3_HR). Additionally, certain sectors appear to have higher probabilities of generating unicorns: “I’m looking for outsize returns and think that focusing in on these two areas I’m more likely to hit them” (I12_HR).

It was noted above that the language used by some users shows a clear resemblance to that of a betting environment. This is not surprising, because behavioural finance suggests that the overweighting of small probabilities determines the lottery phenomenon (Tversky & Kahneman, 1992), so that equity crowdfunders might be overoptimistic about a start-up’s future and overestimate their own skills and abilities in selecting successful start-ups, while misperceiving the total risk (“self-efficacy”) (Stevenson et al., 2019).

There is a variety of evidence of such bias in the data, which leads to the fourth utilitarian-related sub-theme: “Self-efficacy”. For example, Investor 2 maintains a positive attitude despite the reality of their current losses: “I am also very confident that I will comfortably succeed at this game, even though I have discovered it to be a bit of a cesspit!”, and “I am sitting negative about £5000 at the moment but I have a very very positive outlook regarding my other investments” (I2_SE). Similarly, User 1 claims: “Time will tell and 100% open to people calling me a fool in the future :wink:” (I1_SE), while Investor 12 states: “I’ll invite you to my yacht when this one takes off!” (I12_SE).

8.2.2 Emotional Motives

Emotional motives refer to the subjective experience or sensation that an investment may elicit. One of the main propositions of this document is that the crowd's investment motives are not "black and white" and may include not only utilitarian, but also emotional needs (Statman, 2017). Estrin, Gozman and Khavul (2018) suggest that the inclination to assist entrepreneurs and participate in a project can influence investment decisions in equity crowdfunding. Meanwhile, Katzenmeier et al. (2019) emphasise the significance of personal enjoyment and identification. The present analysis revealed that forum users do indeed express emotional investment motivations; however, these feelings exhibit considerable diversity. Specifically, the two sub-themes, "FOMO" and "Search for fun/thrill", are emotions that are closely associated with utilitarian motives. In contrast, the sub-themes "Support liked entrepreneurs/teams" and "Support valued projects", suggest an investment preference that extends beyond a mere financial objective.

Considering the first sub-theme of emotional investment motives, FOMO or "fear of missing out" is defined as: "a pervasive apprehension that others might be having rewarding experiences from which one is absent" (Przybylski et al., 2013, p.1841). In this investment context, it can translate into the fear of missing a potentially financially rewarding opportunity (Güler, 2021). This aspect is evidenced by User 4 when asking for information about an investment they decided not to make: "Any news on the terms? I liked the *Company* pitch but didn't pull the trigger on an investment, want to know if/how much I should kick myself" (I4_FO). Other users poetically express their regret for not making a certain investment, referring to it as "the one that got away" (I1_FO), or "I've passed the opportunity to invest several times and still it's there, growing and making me realise I missed this one" (I12_FO).

The apprehension about losing out on investment opportunities is not limited to post hoc regret, but also manifests as pre-investment anticipation, especially when a new investment campaign becomes available to the public: "Only 1m available though, will need to be quick" (I12_FO). Ironically, some users are entirely conscious of the role that FOMO can play in their investment decision process, but nonetheless they cannot prevent themselves from manifesting it: "What are your thoughts on 'THIS'? Have you tried it? Is it that good? Any info? (…)….it seems they are after unicorn status, do not want to fomo in the current environment" (I17_FO).

Turning to the second emotional sub-theme, the literature on behavioural finance provides evidence of non-economic optimal sentiments underlying financial choices. These sentiments include fun and excitement, as well as the thrill of investing (Statman, 2014). Such sentiments are also evident in equity crowdfunding in diverse ways (Daskalakis & Karpouzis, 2021; Estrin, Gozman & Khavul, 2018; Katzenmeier et al., 2019; Zhang et al., 2017). Once again, we can observe some use of language that is characteristic of a gambling style, as in previous instances: "Exciting and seriously nervous at same time but that's the buzz we are all looking for", or "I'm here for the ride", and "It's a gamble worth taking for me…" (I3_SFT). Other users express their perception of their investment activity as an enjoyable pastime. They write: "It is a mix bag for me but it is fun" and "I love it actually" (I7_SFT), as well as "Getting excited here :smile:" (I16_SFT) and "One more hurdle to overcome and (…) if they are successful then it's 'Too the Moon'" (I2_SFT).

As previously mentioned, the other two emotional sub-themes that were identified differ from the rest, and suggest a tendency towards investment choices driven by more than just financial objectives. Previous equity crowdfunding research has outlined the education or experience of the entrepreneurial team as key signals considered by the crowd when deciding to invest in a company (Li et al., 2016; Nitani, Riding & He, 2019; Piva & Rossi-Lamastra, 2018). Likewise, some forum users display a particularly favourable attitude towards certain investments, influenced by the behaviour of the entrepreneurial team. This is encapsulated in the sub-theme "Support liked entrepreneurs/teams". User 3 states: "I like the pose of *Entrepreneur's_Name* the founder – he carries a humility that I love to see in founders. (…) *Entrepreneur's_Name* is absolutely outstanding. Talk about investing in people this is it" (I3_SLE), while User 16 adds: "the Q&A video with an investor indeed shows that the founder is a very likable person" (I16_SLE). The way in which the entrepreneurial team presents themselves can trigger the motive of excitement: "Can't wait to see how these guys get on, very very strong team" (I15_SLE). Additionally, other users describe how their investment focus is drawn towards a particular team, leading them to adjust their investment criteria accordingly: "I've been thinking more and more about founders and less about the business recently" (I4_SLE), and "Worth a look, the founders are very responsive in the discussions" (I6_SLE). These quotes show that feeling drawn to or emotionally attached to an entrepreneurial team can be an important investment motivator. Similar findings have also been reported in the business angel literature. Benjamin and Margulis (2000) describe how the enthusiastic dedication of entrepreneurs can be a potent way to inspire investors. Furthermore, entrepreneurial qualities such as leadership ability and commitment are highly valued by investors in both equity crowdfunding and angel financing (Landström, 1998; Shafi, 2021).

A similar emotional driver that was observed among forum investors is the desire to “Support valued projects” (sub-theme). This reflects an eagerness to contribute to the development of specific business ideas that resonate with investors (Hornuf, Stenzhorn & Vintis, 2022; Ordanini et al., 2011; Vismara, 2019), and to co-participate in “inventing new products or services” (Cardon et al., 2013, p.376). For example, User 1 claims: “Yeah, the desalination bit was originally the bit that caught my eye rather than the energy bit. Millions of people will hopefully benefit from that” (I1_SVP), while User 13 states “Not going to lie *Company* ticks alot of boxes: Team (VC involvement, CEO ex-*Company*) (…) Eco-friendly, Socially conscious narrative” (I13_SVP). Having faith in a particular project inspires investors to hold out hope for the success of the company, even in light of the low survival rates of start-ups, since they believe the project deserves to thrive: “have huge hopes for these guys. (…) I think they are in the right place at right time with the right solution” (I3_SVP). When the opposite happens, it is the cause of great disappointment: “Believed this one would succeed but it bits the dust. They were doing really good work helping the environment” (I7_SVP).

8.2.3 Expressive motives

In the context of investment, expressive benefits refer to the ability of an investment to communicate information about our personal identity (e.g., our tastes or social status) and behaviour, to both ourselves and others. According to Statman (2017), these benefits are derived from the perception of what the investment says about us, both internally and externally.

In the academic literature, crowdfunders have been largely characterised as an unsophisticated community of passive financial providers with limited accountability and weak rights (Blaseg, Cumming & Koetter, 2021; Block et al., 2018). Therefore, it might be difficult to believe that expressive benefits are also drivers of the investment decisions of the crowd. However, there is evidence that investors actively choose to communicate their status as crowdfunders. In order to signal their investor status, some crowdfunders share information about their investment choices with other investors and, predictably, a forum is one of the best places to disclose them. The evidence shows that, out of the 20 selected users, 15 had opted to do so, in terms of both projected successful investments and failures, while a few users had chosen to disclose their entire investment portfolio, including the amounts invested. User 11 believes in their investment choices and chooses to disclose them all, unfiltered:

> Since 2017, I've invested in *Platform* £317,502.80 in 224 companies and *Platform* £57,517.30 in 18 businesses. Other investments (including direct top-ups) of around another £50k (*Company*, *Company* for example). I calculate that I've lost around £30k in total, but I think this will increase as the cost of living crisis continues to grow. The biggest burns to date: *Company* and *Company* (around £20k lost between them). My largest investments are *Companies* (…) I estimate the portfolio as of last year to be £600k (…) I am confident I will still generate a profit, as my key investments are faring well (…) (I11_ID)

It should be noted that equity crowdfunding emerged as a funding mechanism with the objective of democratising access to financing, making it accessible to a wider range of individuals. Therefore, many crowdfunding platforms allow very low minimum investment amounts. By choosing to publicly disclose a significant investment amount, an investor is likely to be signalling their elevated status or wealth to the online community.

In general, most users disclose only a part of the investments made: "I'm in for £1300 and will maybe top up to £2000 when it opens in a week or two" (I2_ID), "Yeah I invested, I was just reading the update. It's cool that they now have commercial products on the market" (I8_ID), and "Invested in their previous round and will defo be doubling down!" (I15_ID).

Sharing information on the forum about investments made can serve as a means to connect with others who have made the same investments and exchange opinions. Investors can seek out others who share similar values and investment goals, fostering a sense of community and shared identity (Wallmeroth, 2019). On the other hand, the search for public recognition, social identity, or status can be important motivators (Moysidou, 2017). The sub-theme "Societal contribution" refers to the intention to express the importance for the investor of being able to have an impact on society by financing specific deserving projects through their investments. Crowdfunders enable the development of both businesses and society, thanks to their financial contributions. User 2 claims: "I think it is ingenious and could potentially save the WHO billions IF the human trials succeed and they can overcome the politics side of things" (I2_SC), while User 3 states:

> have huge hopes for these guys. Essentially a tool that can run a self employed person's business, provide powerful insights and save days of time each year on accounting and tax. I think they are in the right place at right time with the right solution. (I3_SC)

Additionally, User 19 explains that they will not commit a large funding amount, but they will nevertheless make a contribution because of the company's project: "I'm going to invest a smallish amount in *Company*. We're moving to a cashless society. It delivers good ROI for charities" (I19_SC).

Finally, sharing information about one's investment portfolio can help to establish one's expertise and credibility in the eyes of other forum users. The importance of recognition and image creation was outlined in research on Innovestment, the German crowdfunding platform for sustainable investments (Bretschneider & Leimeister, 2017). Evidence of this can be found in two main ways in this forum. On the one hand, a user can become a reference point to the community and take initiatives such as the creation of a new community for crowdfunding investors, and provide information on future campaigns. This is the case for User 13, who writes: "So just wanted to recap on the upcoming campaigns that have come into the fore (…)." They continue:

> If anyone has found my posts in this thread helpful and would fancy more like it in a dedicated site, please do let me know – it's great incentive and reassurance for me to fully take the plunge. :smile: I think it'd be awesome if we were in a position where as a community we could effectively encourage companies to crowdfund! :astonished: (I13_ER)

They add: "Just wanted to say I'm grateful for all the support, and I mean each and every DM, reply or like, it's definitely the encouragement/reassurance I needed, now in 'let's do this' mode :muscle:" (I13_ER). This user did indeed end up creating another online community for the crowd, which unfortunately is no longer active.

On the other hand, many users also construct an image of themselves as "equity crowdfunding experts" through their engagement in the forum. User 2 claims: "Property is a massive no no for me along with ALL drinks companies in the crowdfunding sphere! Although I do predict success for *Company* with failure for *Company*!", or "I wouldn't go near them with a barge pole. (…) So ask yourself this question, why do they keep coming back time and time again despite the fact they have a product??" (I2_ER). In fact, crowdfunders capable of distinguishing the "lemons" (Akerlof, 1970) from the good companies through due diligence, can become reference points for the community. Similarly, User 3 has no problem in confronting other users:

> Profit is absolutely not the way to go up front. That's not how this game works. Do you suggest *Company* slows down, stops doing continual raises and turns a

> profit instead of growth. :thinking: Yeah I thought not. This is high risk high reward. (I3_ER)

User 3 also provides their view on how to select future successful companies to invest in:

> My Investing 5 "Sniff Test" Items are: Leadership Team (exit experience, diversity, ability to pivot…). ESG Credentials. Does their product/service fix a genuine issue. How strong is their USP/MOAT. Is it seriously scalable w potential for huge ROI. (I3_ER).

In contrast, User 5 has a very different strategy, which involves following the path of professional investors as venture capital funds: "invest in the early rounds of every company that has a substantial investment from a reputable fund. I wouldn't even look at the companies" (I5_ER). They add:

> If you want to have a chance of generating meaningful returns from crowdfunding, you need to invest like a sophisticated investor: forget about the minutiae of the company, focus on the bigger picture, invest early in companies that have a path to delivering at least 100x returns (which involves, in part, believing in the founders). Most will fail, but as long as 1 in 10 succeed at 100(0)xing, you'll see meaningful returns. (I5_ER)

8.2.4 The Reinforcing Role of Expressive Motives

The quotes presented in the previous section outline the importance of expressive motives; however, they also suggest that expressive motives play a relevant supporting role for utilitarian and emotional motives. In fact, it is not always possible to label a decision as only utilitarian, emotional, or expressive, because the benefits are all part of single investment decisions (Statman, 2019), and may relate to one another.

Emotional motives, such as supporting entrepreneurial teams whom investors particularly like, or projects they value, can also have an expressive dimension: seeing and presenting oneself as a "start-up backer" for successful projects they identify with, and therefore obtaining both personal and public recognition (Wallmeroth, 2019). For example, the users report: "I have said consistently from day one *Company*" (I2_REM), or "I did top up my *Company* investment in the most recent round, I feel they are one of the few that are making real progress" (I8_REM), and "I think some great businesses have crowdfunded this year, e.g. my personal 2019 favourites: *Companies*" (I13_REM). Hence, it appears that, while the two concepts of emotional and expressive benefits can be differentiated at a theoretical level, they may have overlapping manifestations.

Additionally, utilitarian motives can have an important expressive component: to flaunt a successful investment or the expectation of high future gains in front of others. For example: “Yes I invested in their first two rounds and from just £4K I have ~45K *Company* that are at $1.90 each as of today. Crazy! I have no plans to sell and will let this ride to silly levels and then offload…” (I3_RUM), or “I invested in *Company* 3 years ago and they grew revenues from £5m in 2019 to £15m in 2020 (cover boom)” (I9_RUM), and “that’s a 5X return in 18 months in theory and their trajectory is exciting” (I12_RUM). Thus, given the evidence found, I argue that, in addition to their direct role, expressive motives play a supporting role to utilitarian and emotional motives, which leads to the following first proposition:

P1: Expressive motives reinforce the role of utilitarian and emotional motives, allowing for their “externalisation”.

8.3 Results and Discussion: Satisfying the Motives

In Chapter 2 of this document, it was argued that equity crowdfunding success in the eyes of the crowd may correspond to having made a successful investment, represented by the delivery of good investment returns at a future date. Such an outcome would determine investors’ satisfaction. However, this perspective mostly considers the utilitarian motives of the crowd. When examining the temporal evolution of equity crowdfunding investments from the crowd’s perspective, it can be argued that investors may experience satisfaction at different stages, both during and after a crowdfunding campaign has taken place. While it is logical to assume that utilitarian benefits are only actualised in the event of an investment proving successful after the campaign, it appears that emotional and expressive benefits can be experienced both during and after the campaign. In particular, the forum provides evidence that specific behaviours, such as interactions among the crowd themselves or with the entrepreneurial team, can be responsible for the satisfaction of these two types of motives at different campaign stages. This leads to the development of new propositions. The following sections introduce the behaviours found, some of which were already evident in previous quotes regarding investment motives.

8.3.1 Campaign Stage

During the course of the analysis, four primary behaviours demonstrated by the crowd during the campaign phase were identified: contacting the entrepreneurial team, utilising discussion boards to acquire additional information regarding current funding opportunities, engaging in discussions among themselves (the most common behaviour), and presenting "expert" opinions. These behaviours are consistent with the satisfaction of emotional and expressive motives, as well as the reinforcing function of the latter.

During the campaign stage, potential investors scan the investment opportunities presented by the platforms, evaluating the firms that have launched an equity crowdfunding campaign. Initially, there is no immediate utilitarian benefit for investors to enjoy: they will mostly wait to see whether the firm will be able to raise the requested amount of money and thus whether the investment will actualise (Dushnitsky & Zunino, 2019). At this stage, there is only a "utilitarian commitment": the investor has pledged to provide the funds if the start-up is successful in reaching the targeted amount.

At the same time, there are opportunities for emotional and expressive benefits to be realised. There can be emotional benefits linked to the thrill of the investment: enjoyment in looking at entrepreneurial firms, becoming aware that it is possible to contribute to their development, and choosing the ones the investor believes to deserve an investment, or the satisfaction of going through the documentation submitted by the firm and the opportunity to analyse it, or even to cross-check whether the figures/expected performance are realistic (Zhang et al., 2017).

A potential investor may see themself as an "expert" in evaluating and assessing a firm: "I suggest you guys check the EY Audit in *Platform* section, page 25: of the £100m of revenues, £35m come from penalties to customers. Personally, I would not like to invest in a company with low ethical standards" (I9_EO). Another user offers advice based on their own past experience: "Walk away. If they don't respect prospective investors with sharing sufficient about this business to have an informed decision then they are unlikely to respective crowd investors with updates or more important share classes" (I1_EO). Yet another investor evaluates and criticises a follow-up campaign based on their memories of the other equity crowdfunding campaigns previously undertaken by that company:

> I think I have followed every one of *Company*'s round on *Platform*, but couldn't get myself to invest in the company. Early on, their business model wasn't very

> clear and that's why I'm not surprised that they keep on crowdfunding this frequent to support their growth. They were and still are not very responsive to or vague if they do answer, tough questions on the Discussions. This time around, I feel that they play too much marketing tricks which are to me bordering on being misleading. One is that all ordinary A investors who invested in the private part of this round were lumped together as one? Making it appear to those who don't look closely that an entity is investing over 3m! Why the need to do that? Is it because they couldn't get a single VC to support them? (…) (I16_EO)

Hervé et al. (2019) also found that crowdfunders with high levels of social interaction tend to invest more. Furthermore, these behaviours generate word-of-mouth and information cascades that may convince undecided investors and attract new ones (Vismara, 2018), increasing the probability that the campaign will reach the target amount. This can provide both emotional and expressive satisfaction, particularly if an investor's interactions are responsible for herding behaviour (Estrin, Gozman & Khavul, 2018): other crowdfunders are influenced to invest, thus making the campaign successful. Investors can in fact discuss the start-up prospects among each other: "Anyone looked at *Company* on *Platform* yet? Invested in their previous round" (I1_DEO). User 3 frequently opens discussions on new investment opportunities: "Anyone here invest in *Company*? I did (one of my bigger ones) and have huge hopes for these guys", and "Here's one I'm currently assessing. This one was a recommendation (just today) to me from a big hitting start up investor. (*Link*). What do you think?", and "Here's a new one for you. I have been reviewing and assessing these guys for the past few weeks and this week I took the plunge and invested" (I3_DEO). Similarly, User 4 comments on a specific project they value: "Hello Hive mind :honeybee emoji: I've come across this pitch on *Platform* that has caught my attention. I like to invest in business I could / do use and like Fintech / Insurtech spaces as ripe for new entrants. Has anyone else given this a serious look?" (I4_DEO).

Investors are able to discuss topics such as: "valuation, financial snapshot, likely returns, shareholder rights, and market risk" (Kleinert & Volkmann, 2019, pp.327). They can contact the entrepreneurial team directly: "After a direct connect from the CEO, I'm currently having a serious look at the following opportunity on *Platform*: (*link*). What are peep's thoughts. Defo something different for sure" (I3_CET). Someone else comments: "After reading their pitch deck, I'm none the wiser about their target or the use of the proceeds. (…) I don't understand why, so I've asked! I will edit this comment with the answer. edit: They responded to me to say (…)" (I5_CET).

Furthermore, the crowd also has the option of reaching out to the entrepreneurial team through the platform discussion board: “I’ve posted a bunch of questions so let’s see…” (I1_DB). However, this search for interaction translates into discouragement and dissatisfaction if the entrepreneurial team is not responsive: “no no for me because of the lack of information. The most amazing thing was whoever was handling their responses saying they have had the figures vetted by their larger investors so the figure are all good” (I7_DB), and “They were and still are not very responsive to or vague if they do answer, tough questions on the Discussions” (I16_DB). This discouragement can turn into direct accusations: “dare I say but another over valued company with vague replies in an out like a thief in the night!” (I2_DEO).

In summary, the quotes featured in this section emphasise the importance of specific behaviours in fulfilling investors’ emotional and expressive motives. They also illuminate the challenges faced by the crowd during the campaign, which are further discussed later. To conclude, the following propositions are outlined:

P2a: During the campaign stage, equity crowdfunders may find satisfaction of their emotional motives.

P2b: During the campaign stage, equity crowdfunders may find satisfaction of their expressive motives.

8.3.2 Post-Campaign Stage

After the end of the crowdfunding campaign, those who invested become shareholders of the start-up. The crowd is dependent on the entrepreneur to run the business successfully and provide them with an exit from the investment in the future. Nevertheless, it is argued that the crowd might try to contribute to the success of the start-up by facilitating the realisation of the investment motives that guided them during the pre-campaign phase.

For example, if the crowd can contribute to the start-up’s success by acting as a brand ambassador and introducing new investors to the start-up (Di Pietro, Prencipe & Majchrzak, 2018), they can help in achieving their utilitarian investment motives. However, as shown by previous quotes, similar behaviours could also provide non-pecuniary returns due to the emotional and expressive benefits resulting from participating in the entrepreneurial process, such as exchanging ideas and receiving public recognition (Reis et al., 2000). Hence, it may be very important for equity crowdfunders to be able to interact with the firm’s management or other investors (Brown et al., 2018; Garaus, Izdebski & Lettl, 2023; Moritz, Block & Lutz, 2015; Wald, Holmesland & Efrat, 2019).

In the data, it was found that members of the crowd assume five main kinds of behaviours after the campaign’s conclusion, ranging from a simple monitoring of the companies they have invested in (Berns, Shahriar & Unda, 2021) and sharing the news found, to active promotion of the companies, as there is some evidence of brand ambassador activity in the forum itself (Di Pietro, Prencipe & Majchrzak, 2018). Furthermore, the forum is used as a place where one can enquire for information about the situation of particular investments and ask for guidance from other investors. A part of the crowd also searches for direct contact with the entrepreneur or the crowdfunding platform if they experience investment issues: “I have asked *Platform* to investigate it as a scam. I understand most start ups fail, but this one looks as if it didn’t even try” (I18_CP).

The sub-theme “Monitoring and news sharing” includes comments from investors regarding information that is not entirely publicly available. For example, User 13 is in a more advantageous position compared to newer investors: “As an existing and long term shareholder in *Company* I received the details of the VC / Series A raise. Without sharing too much, as it’s confidential, they have secured a multiple £M investment (…) Will be an interesting next couple of years…”, and “Happy to share any info I get in case you guys don’t get it, just let me know…” (I3_MNS). Meanwhile, User 9 shares insider information: “no… its something that I heard from a reliable source (an insider)… I think we can assume that the company is selling between 15% and 20% of the equity?” (I9_MNS).

User 3 is also particularly active in promoting specific companies on the forum, acting as a brand ambassador:

> Can I suggest you have a look at *Company* on *Platform*. I’ve invested in these guys twice, including this round (well it’s a reservation currently for this round). They have a great scalable solution, terrific leadership team, timing is right, and big hitting lead investor. They have also just agreed a tie up with Google which they excitedly announced to investors yesterday although exact details are not yet known… (I3_BA)
>
> THEY ARE selling the product with substantial double digit growth year on year, including landing a very ambitious and successful expansion to the US and investment in their teams, product development and infrastructure. All

> raises are over subscribed and with significant repeat experienced investor activity and with realistic valuations. (I3_BA)

In fact, there are a few investors who appreciate receiving advice and ask for guidance from others forum members. For example, User 12 is undecided about whether to exit an investment: "Is anyone else here an investor in *Company*? They're currently 15X and offering us to sell 50% stake. Just wondering what anyone else is doing? I'm inclined to hold but would appreciate any guidance" (I12_AG). User 16 also asks about the practicalities regarding exiting an investment made: "This is good news. I'm an investor. Can you please share the source of this info?" They continue:

> Thanks. Just able to check my email. Have they indicated somewhere else the price per share in the IPO? Hope it's a good multiple to the 2018 & 2019 rounds. My question now, being based overseas, is what would be my best course of action to sell my shares. Will *Platform* facilitate this for those based overseas? Any idea or info? (I16_AG)

Investors may also decide to contact the entrepreneur or the platforms after the campaign (Moritz, Block & Lutz, 2015), for various reasons. For example, User 3 enjoys keeping track of the investments made and establishing direct contact with the entrepreneurial team:

> Hey nice choice on *Company*. I invested early in the *Company* days. I met *Entrepreneur's_Name* in San Francisco early this year and everything they are doing is so polished and profesh. Making excellent progress and I reckon we could be close to an exit in the next 24 months. (I3_CE)

User 10 does not have the same opportunity, but engages in direct monitoring by contacting those companies in their portfolio which have not contacted their investors in a while: "I have been reviewing those (that have not failed yet) and will be contacting any that have not provided updates within the last three months. Especially with the seemingly more relaxed rules on providing updated accounts to Companies House" (I10_CE), while User 16 complains about the fact that the entrepreneur does not reply to their query quickly enough: "I sent an email to *Entrepreneur's_Name* of *Company* few days ago but I still have not received a reply :frowning:" (I16_CE).

Another user laments the same issue, but in relation to the platform contacted: "Have been chasing *Platform* for a few updates across businesses and they said that they had been talking to *Company* over the last few weeks" (I1_CP), and proceeds to share the information received with the other investors. Given the data presented, it is thus proposed that the crowd has opportunities to satisfy emotional and expressive motives by interacting with each other, the entrepreneur, and the platform:

P3a: During the post-campaign stage, equity crowdfunders may find satisfaction of their emotional motives via interaction.

P3b: During the post-campaign stage, equity crowdfunders may find satisfaction of their expressive motives via interaction.

To conclude, the post-campaign stage can be very eventful for crowdfunders. In fact, it is during this phase that they discover whether or not they made the right choice to trust the entrepreneurs they have financed (Kang et al., 2016; Zhang et al., 2017). The challenges faced by the crowd extend beyond the satisfaction of their utilitarian motives, such as whether the investment will succeed. They also pertain to their emotional and expressive motivations: how the investment experience makes them feel and how it shapes their self-perception as equity crowdfunders.

8.3.3 Investment Challenges

The analysis identified two significant types of challenge related to the realisation of emotional and expressive motives in equity crowdfunding. These challenges arise due to potentially insufficient communication from either the entrepreneurs or the platforms, and the crowd's perceived lack of control over their investments.

Previous studies have shown that entrepreneurs tend to avoid direct personal communication with crowdfunders (Moritz et al., 2015), because it can be time-consuming and lead to information overload (Brown, Mawson & Rowe, 2019; Cumming, Vanacker & Zahra, 2021). Bessière et al. (2019) also found that, in the event of co-investment between equity crowdfunders (with no voting rights, through a nominee platform) and business angels (both through a dedicated platform and single investments), the latter are the sole parties playing an active role after the financing round is concluded. However, a lack of involvement and control over their own investment could be detrimental to the satisfaction of the crowd's emotional and expressive motives, particularly in light of the dispersed nature of the investors and the difficulties they face in monitoring their investments (Bade & Krezdorn, 2018; Hornuf & Schwienbacher, 2018).

For example, one investor expresses dissatisfaction with the insufficient communication from entrepreneurs following a successful crowdfunding campaign, and the resulting lack of information regarding the venture's progress: "They are still trading, but do not reply to messages nor give updates. You just kind of know when you are going to get screwed over" (I2_LEC). And: "Absolutely 100% screwed over from day one, they never communicated from day one and basically took the money and gave investors the 'V' sign" (I2_LEC). Another user describes the same problem:

> How many times have you heard "sorry for nothing for 9 months we have been really busy". What to spend an hour or two preparing an update (on information you already have at hand) informing the people that essentially kept your business alive in the early stages or to engage a group of brand ambassadors that will go above and beyond to help the brand. Madness & Outrageous. I just keep sending requests for the updates until they reply and commit to improving. Never give up. (I3_LEC)

This quote is particularly representative of the attempts by investors to become involved in a way that is not simply that of a pure financial provider, and highlights their frustration with the inability of the majority of the financed companies to leverage the crowd's attempts to assist them in growing their brand.

A comparable issue pertains to investors' efforts to communicate with the crowdfunding platform, which often leaves them feeling vulnerable and unprotected in the aftermath of an unsuccessful investment, while wondering about the quality of the companies listed on the platform (Butticè & Vismara, 2022): "*Platform* are rubbish at answering questions about companis that have failed or in difficulties – been waiting over a month for replies to two messages" (I10_LPC). Similarly, User 12 states:

> Guilty of investing in this one. *Platform* haven't said anything, someone on the forums picked it up. I have to say, my failures are almost all exclusively on *Platform* and they are complete rotters at telling you what is going on. I don't hold them responsible but I think they should provide the feedback and information flow for what's going on. Also, simple statements like whether you can right off the loss against tax etc. (I12_LPC)

A related sub-theme found during the analysis is the lack of control perceived by the crowd. This theme can relate to a loss of trust in the entrepreneur. For example, a user raises questions about whether the entrepreneurs are taking advantage of the crowd's money to augment their salaries, outlining a potential problem of moral hazard (Bade & Krezdorn, 2018): "It would be nice Ito know if *Entrepreneurs* let us know what wages they are taking and if they have previously sold any shares??" (I2_LC). The perceived lack of control can also result in open accusations:

> I URGE ALL INVESTORS TO STAY AWAY FROM THIS COMPANY THEY ARE LIKE VAMPIRES SUCKING PEOPLE DRY & I do feel sorry for all previous investors who unfortunately are going to lose all their money. *Company* will be no more in 6–18 months. (I2_LC)

Similarly, User 20 claims: "Shareholder investors sold down the river. You have to be so careful with start-ups" (I20_LC), and User 4 adds: "That have been far too many companies raising Millions from crowdfunding on to go into administration months later having used the funds to pay back director loans" (I4_LC). Finally, User 5 expresses a very negative view of equity crowdfunding as a financing method that respects investors:

> if you're a layman participating in crowdfunding then you're just dumb capital, you as an individual are worthless to founders, in fact you're a liability, and so the investment case for participating in a crowdfunding round has to be very tightly coupled to the company you're investing in… because when the company blows up, you're left with nothing: the founders couldn't care less about you, they don't know your name, and you probably won't have the opportunity to invest in them again. (I5_LC)

This investor seems to believe that the crowd has absolutely no control over the investments made and that the entrepreneurs do not care about the investors. The entrepreneurs are simply: "well-off people [who] enrich themselves further at the expense of normal people with predatory financial nonsense" (I5_LC), while the crowd represents "dumb capital". This view has supporters; for instance, Isenberg (2012) notoriously classified the crowd as "stupid" capital in an online article.

The crowd's perceived lack of control also has significant implications for their dissatisfaction with utilitarian outcomes, because it is associated with the three primary challenges identified in achieving utilitarian motives: lack of monetisation, early exit, and investment failure (Beauhurst, 2022; Hornuf, Schmitt & Stenzhorn, 2018; Signori & Vismara, 2018; Walthoff-Borm, Vanacker & Collewaert, 2018). Lack of monetisation relates to the impossibility for the crowd to sell their shares: "Paper money is nice. Real money will be nicer :wink:" (I1_LM), or "Missed an opportunity with *Company* in 2020 to sell the shares back to the founder; have had no updates from the company since" (I10_LM). Another investor also wonders whether it will ever be possible to realise an exit in the form of an Initial Public Offering, which is often the claimed objective of the start-ups raising capital through equity crowdfunding: "the IPO question is a interesting one for *Platform*… considering that no *Platform* Companies IPO in the last 10 years maybe they assume that it will never happens…" (I9_LM). Similarly, User 14 argues that equity crowdfunding investments are very long term, which makes it difficult either to monetise the investments or to learn about the reasons why an investment did not succeed: "In this type of investing its really hard to get experience first hand because it takes years for a startup actually get to a point where you can post mortem it or learn from its success" (I14_LM). A common problem in equity crowdfunding is that very few platforms offer a secondary market for pricing or exit, which makes the market very illiquid (Lukkarinen & Schwienbacher, 2023; Rossi, Vismara & Meoli, 2019) and difficult for investors to realise any financial return, regardless of whether or not the start-ups have thrived (Lin, 2017).

Secondly, equity crowdfunders often have poor contractual power (Rossi, Vismara & Meoli, 2019; Schwienbacher, 2019); hence, they constantly face dilution and have no opportunity to oppose an exit, even if they think it is not in their best interests. For example, User 8 laments low returns determined by the business being sold too early: "on my one succesful exit, to be honest I thought they sold too early, it seemed like the business was just taking off", and "Made 3X my investment, but I think it could have been more" (I8_EE). This investor also adds that they have decided not to invest any further in equity crowdfunding for the time being, because the returns obtained are not worth the risks taken: "that's why I pretty much stopped crowdfunding. My two exits have been 3X and 1.7X", and "I was particularly disappointed by *Company*, seemed like they were on to a winner and they sold for ~1.7X It felt like the initial risk wasn't worth it for that" (I8_EE). User 9 shares the same opinion, and adds that the price for which the company was sold was not representative of its actual value: "I invested in *Company* and the return has been 3.5x (without EIS) and 5.0x (with EIS). Not really fantastic…", and "it was a disappointing outcome considering the amazing traction of the company. The company was sold for £42m but its generating annual revenues of £55m…" (I9_EE).

Finally, User 10 concurs with User's 8 prior remarks about their intention to discontinue investing in equity crowdfunding in the future. User 10 asserts that two out of the three exits they obtained were realised before the three-year holding period that is required to receive EIS tax relief and only yielded low marginal returns: “1 exit but within 3 years so EIS impact; 1 buyout with marginal return – again within 3 years; 1 where new owner bought 50% of the holding – in profit and still have 50% holding; Would I invest again? – unlikely” (I10_EE).

Another major cause of concern for equity crowdfunding investors is the rate of investment failure of the companies in which they invested. The most recent failure rates of the entirety of equity crowdfunded companies in the UK between 2011 and 2021 amount to 20%, while only 18% of the businesses are progressing to later stages of evolution, and 57% are stagnating (Beauhurst, 2022). However, the extent to which investors were unfortunate in their investments will vary depending on the specific companies in which they invested, with some having chosen mostly unsuccessful ventures. For example, Investor 11 claims: “I have industry experience, and the failure rate of crowdfunding companies is certainly above 90%” (I11_IF). Similarly, another user adds: “*Platform* – 9 out of 22 companies I’ve invested in have stopped trading (ouch)” (I12_IF). User 18 also adds: “Up to 7 now. 7 failures in three weeks! And only a few have bothered to tell investors directly” (I18_IF). In fact, as previously outlined, investors do not often receive any communication regarding the state of their investments, and they often learn that a start-up has failed through sources other than the entrepreneur. When discussing the state of equity crowdfunding, the same Investor 18 also declares:

> What you’ll find is a lot of companies about to go pop, with massive debts, come to *Platform 1* (usually) to raise funds to clear the debt, with vast promises and, often, little scrutiny. They raise hundreds of grand, pay their staff and creditors, but ultimately the company is still going down the pan. Then they fold, because the owe equityholders nothing. And it’s just tough luck. Shareholders have been more or less scammed, and *Platform 1 / Platform 2* trot out “unfortunately this, and disappointingly that, crowdfunding is risky etc.” while knowing they’ve allowed you to be scammed. Which is why I don’t use them anymore. (I18_IF)

The narrative above is similar to complaints in other quotes regarding the perceived lack of control of the crowd, or the inadequate communication coming from entrepreneurs and platforms. Once again, an investor affirms their intention to cease investing in equity crowdfunding. User 10 also states ironically: “If it has failed I am surprised that I did not invest!” (I10_IF). To conclude, the following propositions are derived:

P4a: The lack of platform/entrepreneurial communication or control may compromise equity crowdfunders’ satisfaction of emotional motives.

P4b: The lack of platform/entrepreneurial communication or control may compromise equity crowdfunders' satisfaction of expressive motives.

P4c: The lack of monetisation, the presence of early exits, and the high rate of investment failures may compromise equity crowdfunders' satisfaction of utilitarian motives.

8.4 Conclusions about Forum Findings

Equity crowdfunding has emerged as a potential solution to the financing gap faced by start-ups, providing entrepreneurs with financial resources and control, as well as the freedom to decide repayment terms. Previous literature has mostly focused on the benefits for entrepreneurs, stating the positive effect of helping to solve the financial gap faced by start-ups (Lehner, Grabmann & Ennsgraber, 2015; Wang et al., 2019). However, the psychological aspects of the crowd's investment decisions, including the potential challenges they face during the post-campaign phase and how their experiences may shape future investment decisions, have been under-explored (Cumming, Vanacker & Zahra, 2021).

As far as investors are concerned, the post-campaign stage and, particularly, the exit strategy can be very challenging for those driven by utilitarian motives, due to the lack of opportunities to recover their investments or receive the expected remuneration. On the other hand, equity crowdfunders may find satisfaction for their expressive motives due to the possibility of disclosing that they invested in a great idea, which will have a positive impact on society, or giving advice to other investors, and interacting with the start-up community. Furthermore, emotional motives might be satisfied due to the thrill/fun generated by the investment process itself, the possibility of entering a dialogue with the entrepreneur, or supporting a project that they think is valuable, even if there is no exit or financial remuneration.

Expressive and emotional motives may still be partially satisfied independently of the entrepreneur, and even in the case of venture failure, as long as investors supported the project on the basis of its moral or ethical values, or on its social and economic impact. In this case, satisfaction will arise from the moment when the investment decision is made and will last throughout the campaign. Nevertheless, the satisfaction of emotional and expressive motives can be challenging if it is tied to a direct interaction between investors and the start-up community, but the entrepreneur or the crowdfunding platform do not allow or care for it. As we have seen, insufficient communication and a perceived lack of control could cause investors to lose trust in the entrepreneur or the whole idea of equity crowdfunding itself, thus negatively influencing future investment decisions.

The analysis has aimed to describe the entire journey of the crowd, from the initial investment motivations to the post-campaign phase. It takes into account the various factors that influence the crowd's investment decisions and experiences, including their initial motivations, their behaviours during the campaign, and their opportunities for emotional and expressive satisfaction. Furthermore, it highlights the challenges that equity crowdfunders face during the post-campaign phase and, thus, in particular the issues they encounter while awaiting an investment exit, and how these challenges might influence their future investment decisions. This research illustrates the necessity of seeing the journey of the crowd as a continuum, and of considering the relationships between the different factors that constitute it.

The next chapter presents the final framework proposed by this research, which offers a comprehensive picture of the whole journey of the crowd, highlighting the salient moments. One of its most important take-aways is that it is crucial for entrepreneurs and crowdfunding platforms to engage in better communication with investors in order to maintain their trust and ensure future investment. Ultimately, this study's results call for a more holistic approach to understanding the equity crowdfunding process, considering both the benefits for entrepreneurs and the experiences of the crowd, in order to promote a successful and sustainable equity crowdfunding ecosystem.

9. Mixed - Method Findings Discussion and Framework Derivation

9.1 The Crowd's Motivational Heterogeneity

The thematic analysis presents various additional contributions that can help to expand upon the findings of the survey. In relation to utilitarian investment motives, the analysis of forum data highlights the importance of tax and loss relief for investors. These factors have previously been recognised as relevant investment motives in the existing literature (Zhang et al., 2017), and it is clear from the forum data that they do represent complementary benefits, which carry significance and are deemed valuable enough by investors to warrant discussions with each other.

Furthermore, two interesting sub-themes have emerged within the utilitarian forum theme, which enable a better understanding of the nature of the financial returns the crowd is looking for; these can be described in terms of high risk-appetite and loss tolerance/chasing the unicorn, and self-efficacy. A cohort of investors, primarily driven by the allure of financial returns, is actively seeking to identify the next "unicorn", or exceptionally successful start-up. These individuals seem to be acutely aware of the inherent risks of the investments they are making and the likelihood of losing their capital, but are undeterred by such prospects, given their belief in the chance of finding a unicorn. In fact, their investment decisions also reflect substantial confidence in their ability to pinpoint these rare opportunities, which is a manifestation of self-efficacy (Stevenson et al., 2019). The propensity of equity crowdfunding investors to embrace such high risks, knowing that most start-ups are likely to fail (Estrin, Gozman & Khavul, 2018), is rationalised by the tantalising possibility of extraordinary returns from a future unicorn. This phenomenon subscribes to behavioural finance theory, indicating that investors may embrace risks they would usually avoid if the potential gains offset their dissatisfaction with losses

(Kahneman & Tversky, 1979). This optimistic risk-taking attitude can also be ascribed to overconfidence or self-efficacy, leading investors into a readiness to embrace risk, and even follow the crowd's opinion (herding behaviour), unmindful of negative cues (Stevenson et al., 2019). Such collective action is frequently perceived as a strategy for navigating the challenges posed by information asymmetry and pervasive uncertainty (Moritz, Block & Lutz, 2015).

While the forum analysis offers new insights into the nuances surrounding the utilitarian motives of the crowd, it also uncovers an intriguing intersection between utilitarian motives and particular emotional factors. The excitement about potential gains and the investment process, or different feelings, such as FOMO (Fear of Missing Out) (Przybylski et al., 2013), drive this connection between the two aspects of investment. Investors who feel they may be missing out on potentially lucrative investment opportunities might make bold investments or express regret when bypassing them, especially when exposed to others' success stories in the forum. Similarly, the anticipation of potential gains and the very act of investment can ignite a sense of excitement and thrill during the investment process, capturing the complex web of emotional responses interlaced with utilitarian investment drives.

In relation to other emotional motives, both analyses revealed the importance of emotional motivations which have been commonly associated with other crowdfunding forms, such as donation crowdfunding, and have been downplayed by research on equity crowdfunding (Moysidou, 2017). The analyses uncover the relevance assigned by the crowd to supporting start-ups that align with their personal preferences and values (Ordanini et al., 2011), as well as choosing to invest in trustworthy entrepreneurial teams, to whom they feel they can relate, or valuable projects that help the environment and are socially conscious (Hornuf, Stenzhorn & Vintis, 2022; Vismara, 2019). To sum up, the findings reveal that the strong emotional connection between investors and start-up seems to stem from the alignment between the start-up's values and the investor's own beliefs and principles. In fact, the crowd is also driven by a desire to contribute to the economy of the country in which the start-up operates. By supporting innovation and employment generation, investors can experience a sense of fulfilment and "feeling good" associated with their investments (Estrin, Gozman & Khavul, 2018). These motivations reflect a broader societal perspective, whereby investors recognise the potential impact of their investments on economic growth and job creation. These findings are consistent with prior research on business angel financing, which has emphasised the satisfaction derived from supporting the growth of start-ups and making a positive impact on society (Landström, 1998; Wetzel, 1983; Wright, 2017).

In relation to expressive investment motives, the thematic analysis reveals an intriguing parallel between the forum data's sub-themes (investment disclosure and expert recognition) and two elements of the expressive motive construct within the survey's analysis (gaining reputation as an investor and becoming part of the community). Many investors in the forums openly disclose the investments they have made and showcase their successful investment choices, thereby establishing themselves as "expert investors". This action serves multiple purposes. Firstly, it functions as a means of gaining recognition and enhancing their reputation within the investment community. Secondly, investment disclosures allow them to share their investment journey with others and encourage a sense of community. Indeed, a crucial aspect of attaining expressive benefits lies in the ability to share one's investment experience with others, and thus satisfy the human desire for connection and affirmation. Through this sharing process, investors seek recognition, develop their image and reputation (Bretschneider & Leimeister, 2017), and strive to be included and respected within the investment community (Statman, 2019; Wallmeroth, 2019). This inherent need for recognition seems to drive investors to actively seek connections (Allison et al., 2015) and invest in the development of collaborations with the start-ups and other investors (Di Pietro, Prencipe & Majchrzak, 2018), as represented by the homonymous elements of the expressive motive construct within the survey analysis.

It should be noticed that expressive motivations are particularly evident in the forum because it is only possible to analyse the comments of those who choose to write and publish them, while silent forum investors are excluded from the analysis. This leads to the sub-theme of "expert" recognition previously described, which outlines how some personalities find themselves very comfortable with predicting future successes or failures, and how the start-ups should operate. This sub-theme provides a nuanced understanding of how investors leverage the forum as a platform to showcase their wisdom and insights, strategically positioning themselves as knowledgeable authorities within the community. By engaging in this expert persona, investors not only enhance their personal standing, but also wield influence over others' investment decisions. The open exhibition of expertise and success predictions may encourage herding behaviours within the community, with others following the guidance of these self-proclaimed experts (Stevenson et al., 2019).

In summary, the analysis of expressive investment motives reveals a convergence between the sub-themes observed in the forum data and the motivations encompassed within the expressive motive construct identified through the survey. The data highlights some investors' inclination to disclose their investment choices in order to showcase their success and gain the reputation of being expert investors. Simultaneously, there is an underlying pursuit of community and connection, by which investors share their experiences, seek acknowledgment, and strive to forge meaningful relationships within the investment sphere. These behaviours not only reflect a need for recognition and belonging, but also highlight a more intricate aspect of investor motivation.

A novel dimension emerges from the forum data, denoted as the "reinforcing role of expressive motives". It was observed that attributing investment motives to merely one of utilitarian, emotional, or expressive aspects could be challenging due to the co-existence of all three motives within a single user, and may result in oversimplification. Rather, it is proposed that expressive motives can serve as a conduit for the "externalisation" of utilitarian or emotional motivations, allowing investors to share these motives with others and present themselves in a manner that aligns with their desired image (Statman, 2017). This finding is particularly significant when we attempt to understand how investors communicate and justify their motives to others. For example, emotional motives, such as the desire to support entrepreneurial teams or projects that investors deeply care about, can also possess an expressive dimension. Investors may see and position themselves publicly as "start-up backers" for successful projects that resonate with their personal values, thereby obtaining both personal and public recognition. Likewise, utilitarian motives may also have a significant expressive component, as investors may seek to boast about their profitable investments or high anticipated gains.

By uncovering the interconnected and overlapping nature of these motivations, the analysis of the forum data provides a more comprehensive and holistic perspective on investor motives. It goes beyond the simplistic categorisations that may result from analysing the survey data alone. Hence, the findings on investment motives derived from the forum not only supplement the results obtained from the quantitative analysis, but also uncover the complex relationships among the three primary categories of motives posited by Statman (2017). In fact, the netnographic analysis suggests a spillover effect of one motive onto the others, so that the border among them is more blurred than suggested by the original model proposed by Statman. This allows us to recognise the fluidity and complexity of the crowd's investment motives, and challenge the conventional categorisations proposed by previous literature (Cholakova & Clarysse, 2015; Katzenmeier et al., 2019), thus offering a deeper exploration of what may drive the crowd's investment decisions.

9.2 Behaviours, Challenges to Satisfaction, and their Interplay with Motives

The dual analyses conducted in this study have delivered an extensive examination of the diverse range of behaviours exhibited by the crowd throughout the equity crowdfunding process, encompassing both the campaign and post-campaign phases. The survey analysis embraces a broader spectrum of post-campaign behaviours than those observable in the forum data, primarily due to the inherent nature of the data sources. However, the netnographic data derived from the forum analysis allows us to take additional considerations into account in relation to campaign behaviours that may be linked to the satisfaction of emotional and expressive motivations.

Campaign behaviours observed in the forum data inevitably fall within the active category, characterised by users engaging in discussions about investment opportunities, assuming the role of "expert" commentators, using discussion boards (Kleinert & Volkmann, 2019), or even reaching out directly to the entrepreneurial team to acquire additional information regarding their funding prospects. This pursuit of interaction and information not only underscores the active nature of their investment approach but also implies that they may derive a sense of fulfilment and satisfaction from the investment process itself. In fact, these interactions can facilitate the development of an emotional attachment to the team or the project, building anticipation about the completion stage of the campaign. Additionally, investors can derive satisfaction from evaluating and assessing investment opportunities, actively participating in discussions with other investors, and seeking advice from their peers. Indeed, it appears possible that investors may already have the opportunity to realise their emotional or expressive motives during the campaign stage.

In the context of post-campaign behaviours, Hornuf et al. (2020) and Schwienbacher and Larralde (2012) first introduced the distinction between passive and active investments by the crowd. While the arena of professional or institutional investors, such as business angels and venture capitalists, has seen extensive exploration of the utility of active behaviours (Aernoudt & Erikson, 2002; Gompers & Lerner, 2001; Lumme, Mason & Suomi, 1996; Mason & Harrison, 1996; Politis, 2008; Wiltbank, 2005), the crowd's potential for active post-investment behaviours is under-investigated. This lack of investigation can largely be attributed to the general absence of significant contractual power among individual investors (Hornuf & Schwienbacher, 2016). As a consequence, the crowd is mostly viewed as a passive resource provider (Blaseg, Cumming & Koetter, 2021; Block et al., 2018; Hornuf, Schilling & Schwienbacher, 2020).

The analyses conducted in this study reveal various dimensions of crowd behaviour, ranging from active engagement to passive approaches, in line with past literature that has reported mixed results following interviews with entrepreneurs (Brown, Mawson & Rowe, 2019; Di Pietro, Prencipe & Majchrzak, 2018; Wald, Holmesland & Efrat, 2019).

On the active side, behaviours include offering professional experience and business connections, or participating in the start-up's board or advisory board. These activities are more commonly observed among investors who possess the relevant competencies to help start-ups, such as those who are entrepreneurs or start-up founders themselves, or possess a business degree. As a consequence, they are rare, and more frequent forms of conduct include assuming passive behaviours, such as taking a passive interest in the start-up's situation while waiting for an exit (Blaseg, Cumming & Koetter, 2021; Block et al., 2018), or different types of active behaviours (Di Pietro, Prencipe & Majchrzak, 2018). These encompass developing relationships and searching for connections with other investors, actively pursuing online monitoring of the start-up, sharing the news collected with the crowd, looking for advice among peers, introducing new investors to the company, providing feedback about the product, and promoting the start-up on social media. Additionally, direct communication with the entrepreneur or the platform may be pursued for various reasons, ranging from keeping track of the investments made and the status of the company, to lodging complaints about issues that may have arisen.

Crucially, it should be noted that entrepreneurs play a significant role in enabling active behaviours by the crowd, given that the majority of these investors typically hold only a very small percentage of shares, with no additional rights (Collins & Pierrakis, 2012; Drover et al., 2017). From the entrepreneurial perspective, such interaction is a double-edged sword. On the one hand, the crowd can contribute to the success of start-ups, as highlighted by Di Pietro et al. (2018), who outline crowd investors' role as a valuable asset for open innovation aiding the investee's development, hence justifying the effort required from entrepreneurs to deal with these investors. On the other hand, interacting with the crowd can become time-consuming (Moritz, Block & Lutz, 2015) and even lead to "information congestion", a concern expressed by some entrepreneurs (Brown, Mawson & Rowe, 2019; Cumming, Vanacker & Zahra, 2021). These facets of interaction not only shape the overall equity crowdfunding experience, but also have an impact on subsequent investment intentions within the crowd. The level of satisfaction derived from the investment process, the degree to which initial investment motives are fulfilled, and the challenges encountered along the way become critical considerations.

On this subject, the survey analysis reveals new insights into the relationships between post-campaign behaviours and investment satisfaction, as well as the indirect effects of investment motives on satisfaction through those behaviours. The findings have been discussed in detail in Section 7.5.3, but are summarised here. Important findings concern the positive relationships identified between utilitarian motives, emotional (support) investment motives, and passive post-investment behaviours. Additionally, utilitarian motivations are positively related to satisfaction through the adoption of a passive behavioural approach. However, this situation is reversed when considering other motives. In fact, the findings indicate that investors driven by emotional (thrill) and expressive motives obtain greater satisfaction and exhibit a greater desire to continue investing in equity crowdfunded start-ups when they are given the opportunity to be actively involved after making their investment. In terms of the composition of the UK equity crowd, the results have also shown that male equity crowdfunders are more satisfied with their investment experience than female investors, as are non-UK residents, while greater satisfaction is also reported by investors who started investing in recent years or have made many investments.

The inclusion of forum data expands the analysis further, enabling a direct consideration of the challenges associated with the satisfaction of specific investment motives. This approach brings additional nuances to the survey analysis, which used a general satisfaction variable reflecting the entire equity crowdfunding experience and future investment intentions of the crowd. In the context of the forum, the post-campaign phase assumes particular significance for equity crowdfunders, because it allows them to assess the success of their investment and determine whether or not their trust in the entrepreneurs they have financed was justified.

The challenges faced by the crowd are multifaceted and extend beyond the mere satisfaction of utilitarian motives. They also encompass the more complex realms of emotional and expressive motivations. These latter motivations are deeply entwined with investors' personal investment experiences and how these shape their self-perception as equity crowdfunders. The obstacles to the realisation of utilitarian investment motives are evident, and include a lack of monetisation, resulting from the fact that investors have problems in exiting the investments they have made. However, when exits do occur, the crowd laments low-value exits and high failure rates, painting a picture of low returns for equity crowdfunding investments that seems more negative than the one depicted by previous literature (Beauhurst, 2022; Hornuf, Schmitt & Stenzhorn, 2018; Signori & Vismara, 2018; Walthoff-Borm, Vanacker & Collewaert, 2018).

Nonetheless, these challenges are not directly linked to the post-campaign behaviour of the crowd, which supports the finding of a positive relationship between utilitarian motives and passive post-campaign behaviour identified in the survey analysis. According to the questionnaire results, the crowd's utilitarian concerns seem to be separate from their post-investment engagement with the start-up. Rather, the realisation of utilitarian goals is influenced by external factors and the overall investment environment, such as the conditions for exit and the potential for monetising the investment. When the analysis was conducted on the sub-samples, the relationship outlined above holds true for recent investors. In contrast, seasoned investors driven by utilitarian motives lean towards active post-investment behaviours.

Finally, the forum data reveals specific challenges faced by investors in satisfying their emotional and expressive motivations within the equity crowdfunding landscape. Unlike utilitarian motives, the realisation of emotional and expressive motivations appears to be strongly shaped by the investors' interactions and relationships with both entrepreneurs and platforms.

Firstly, the satisfaction of these motivations is often hindered by the crowd's perceived lack of authority or influence over the investment process. This finding outlines the relevance of agency issues among equity crowdfunders, and the necessity of finding new ways to cope with them. The strong presence of information asymmetry in equity crowdfunding is a theme that has often been outlined in past research (Ahlers et al., 2015; Vismara, 2016, 2018), while agency risks remain comparatively unexplored. Yet there is strong evidence of potential moral hazard stemming from undisclosed information, diminished shareholder rights, and lack of control following the investment (Arrow, 1963;

Becchetti, Bruni & Zamagni, 2020; Cumming, Vanacker & Zahra, 2021; Jensen & Meckling, 1976; Kleinert & Volkmann, 2019; Ross, 1973). Control challenges can ultimately result in dissatisfaction among the crowd, eroding their future interest in equity crowdfunding, and thereby compromising its ability to fund entrepreneurial firms.

Secondly, the perceived lack of communication from both entrepreneurs and platforms further exacerbates this sense of disconnection and dissatisfaction, particularly in sensitive situations such as company failures. Investors report feeling left in the dark or inadequately informed, leading to a loss of trust in the equity crowdfunding process. Some users have even reported suspicions of foul play in the wake of investment failures, further eroding their confidence in the system and the quality of companies listed on the platforms (Butticè & Vismara, 2022).

Nevertheless, the forum data also highlights a path towards resolving these challenges. It suggests that, by enhancing communication and engagement with investors, entrepreneurs and platforms can build trust and acceptance among the crowd. Despite the difficulties previously outlined, where entrepreneurs find it challenging to engage with investors (Brown, Mawson & Rowe, 2019; Cumming, Vanacker & Zahra, 2021; Moritz, Block & Lutz, 2015), the adoption of improved transparency and responsiveness, especially during challenging times, may lead to a more forgiving attitude towards potential failures and help to sustain investors' faith in equity crowdfunding.

To provide a comprehensive understanding of the dynamics of equity crowdfunding, a final framework is proposed, as illustrated in Figure 7. This framework offers a wide-ranging depiction of the interplay between investment motives, the campaign/post-campaign behaviours of the crowd, and the challenges encountered in satisfying investment motives. Furthermore, the framework integrates the propositions developed throughout the forum analysis, providing a holistic view of the equity crowdfunding process, which may be used by future research. The proposed framework acknowledges the role that expressive motives play in relation to utilitarian and emotional motives (proposition 1), as emerged from the forum analysis. Furthermore, it recognises that there are opportunities to realise different types of investment motives on the basis of behaviours exhibited by the crowd both before and after the conclusion of the campaign (propositions 2a/b and 3a/b). It acknowledges that the satisfaction of investment motives may occur at various stages of the investment process, reflecting the complexities inherent in the interplay between motives and subsequent behaviours of the crowd. Unlike the conceptual framework used during the GSEM analysis, which presented unidirectional relationships, this framework captures the multidimensional nature of satisfaction, and incorporates the intricacies of investment motives and the corresponding behaviours of the crowd. Furthermore, the framework acknowledges the challenges faced by the crowd in satisfying their investment motives (propositions 4a/b/c). By incorporating these elements, the proposed framework provides a comprehensive overview of the interrelationships among investment motives, campaign and post-campaign behaviours, and challenges faced by the crowd in the context of equity crowdfunding. It offers a nuanced understanding of how the satisfaction of investment motives unfolds throughout the investment process, and contributes to shaping the overall dynamics of equity crowdfunding.

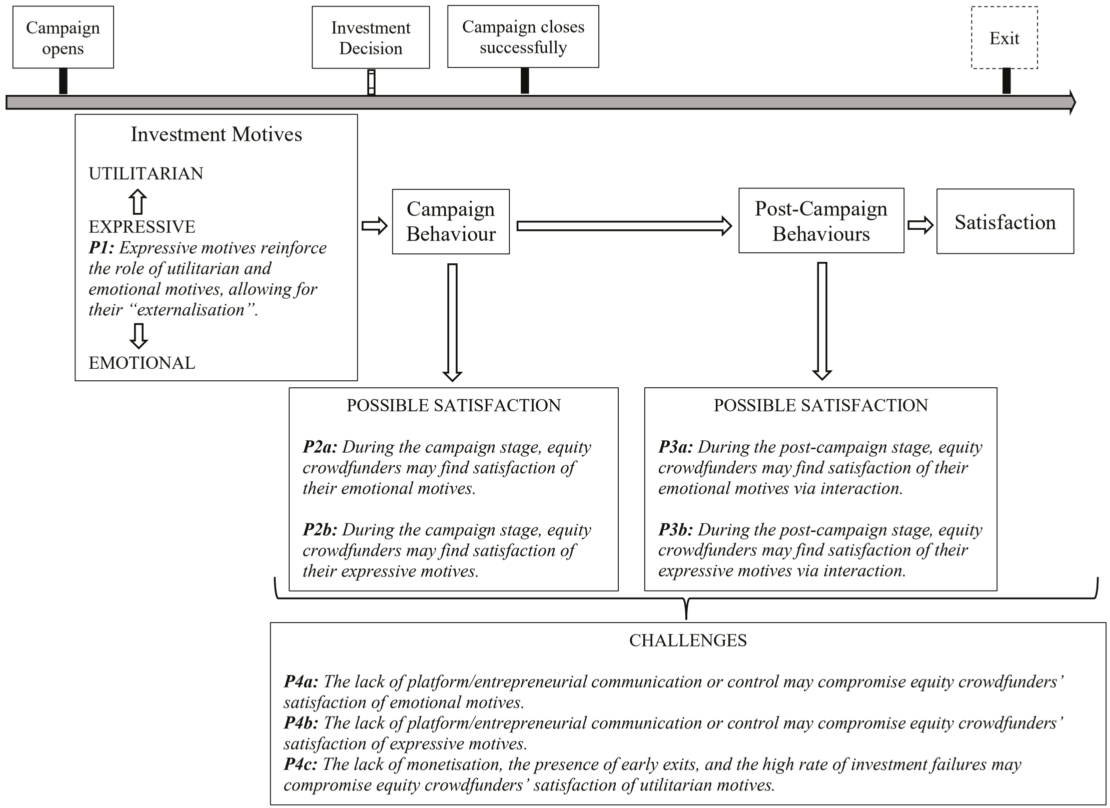


Figure 7.
Framework with Propositions about Equity Crowdfunders' Investment Process.

10. Summary and Contributions

10.1 Contributions to the Literature

At its outset, this study provided a snapshot of equity crowdfunding, characterised as a high-risk financial investment for the crowd. This characterisation stemmed from challenges such as low success rates, secondary market illiquidity, and the crowd's poor contractual power in terms of voting rights, dividends, and dilution (Beauhurst, 2020; Lukkarinen & Schwienbacher, 2023; Rossi, Vismara & Meoli, 2019). Nevertheless, equity crowdfunding has grown in popularity, meeting the entrepreneurial need for capital, which motivated this study's research question: What investment motives and behaviours characterise the crowd and how do they interrelate with investors' satisfaction from equity crowdfunding?

The analyses that followed from this question led to the major contribution of this dissertation, which found concrete form in the development of the final framework, presented at the end of the previous chapter. This was obtained by combining the results of the survey and forum studies, using a mixed-methods design. In the growing domain of equity crowdfunding research, this doctoral study makes several contributions that challenge and expand upon the current literature.

Firstly, it highlights the diverse and multifaceted motives of equity crowdfunding investors. While the prevailing narrative has painted these investors as being mostly driven by financial motives, this research has unearthed a varied blend of motivations. This nuanced understanding underscores the fact that the equity crowdfunding landscape is more complex than traditionally assumed, and offers a renewed perspective for both practitioners and academics. The application of Statman's motivational framework (2017, 2019), taken from behavioural finance, is pivotal for understanding the crowd's investment motives. The results reveal a complex interplay between utilitarian, expressive, and emotional motives. Such a connection highlights a multidimensional investment landscape, driven by personal rewards and emotional experiences that echo the thrill of the unknown. This aligns with the study's aim to delve deeper into the potential heterogeneity of crowd motivations (Feola et al., 2019). The crowd's varied investment motives intersect and reinforce each other, and this dynamic interplay is strongly related to their investment behaviours.

Secondly, this research refutes the popular notion of the crowd as consisting of purely passive financiers (Blaseg, Cumming & Koetter, 2021; Block et al., 2018; Hornuf, Schilling & Schwienbacher, 2020). In contrast to this perception, it posits the crowd as potentially active participants, whose engagement can extend far beyond mere financial contributions. The proposal that shareholder activism is important in equity crowdfunding represents a reconceptualisation of the domain. The results outline the potential for collaborative and cooperative involvement, which can diminish issues around lack of agency and contribute to a positive investment experience for the crowd. The role of communication in maintaining the crowd's trust is also highlighted, underlining the critical importance of transparency in shaping investor experiences. By emphasising the importance of encouraging community and belonging within this sphere, the research reinforces the relational, and not just transactional, nature of equity crowdfunding. This has profound implications for how platforms and start-ups may strategise their engagement approaches, ensuring that they cater to both the financial and non-financial aspirations of their investor community. More importantly, the research argues that this active involvement is not just a choice but, for many crowdfunders, a necessity if they are to derive true satisfaction from their investment. This reveals a new dimension to how we perceive the relationship between start-ups and their crowd investors.

This research illuminates the strong relationships between the crowd's investment motives, behaviours, and satisfaction, thus addressing an existing gap in the literature. It offers nuanced insights into the influence of gender and country of residence on investment satisfaction, broadening our understanding of the demographic dimensions within the equity crowdfunding domain. Further analyses also uncovered how characteristics such as age, year of first investment, and average amount invested can elucidate diverse relationships.

Moreover, the study pioneers an exploration into the challenges that crowd investors confront during their investment journey. It uncovers the frustrations stemming from the lack of monetisation and high economic returns, control, or communication, while also emphasising the multifaceted nature of success as perceived by the crowd. Historically, the focus of equity crowdfunding research has primarily been directed towards examining how it aids entrepreneurs in their capital-raising endeavours. This thesis, however, pivots the lens towards the investors, offering a holistic view of their experiences, challenges, and needs. Such insights are imperative, not just for start-ups seeking crowd investments, but also for platforms and regulators aiming to refine and improve the equity crowdfunding ecosystem.

The development of the final framework, complemented by empirically testable propositions, enables a nuanced understanding of the determinants for long-term viability and success within equity crowdfunding, and particularly highlights the significance of enhanced communication and investment monetisation. These propositions shed light on the multifaceted nature of equity crowdfunders' investment journey and the necessity of addressing it comprehensively. Such an approach is pivotal to securing the long-term viability of equity crowdfunding, thus reinforcing its potential as a dependable funding avenue for start-ups.

Finally, this study presents a methodological contribution by demonstrating the value of online, social data and netnography (Kozinets 2015, 2016) in unveiling nuanced insights, which may be overlooked in other types of research, such as survey-based studies. The use of netnographic data could be instrumental in future research to illuminate investor behaviour in equity crowdfunding and comparable scenarios, wherein digital communities represent the natural environment for both investors and entrepreneurs.

In summary, this research marks a transitional phase in equity crowdfunding studies, moving from a nascent understanding to a more evolved perspective. It bridges knowledge gaps, challenges prevailing assumptions, and advocates for alternative methodologies. The insights presented here underscore the need to explore equity crowdfunding through innovative lenses, seeking ways to ensure its long-term presence in the entrepreneurial financing ecosystem. In essence, this study not only fills existing gaps in the literature but also delineates fresh avenues for future research, emphasising the human-centred dimensions of equity crowdfunding.

10.2 Contributions to Practice

The findings of this study can offer new insights and practical support for the stakeholders invested in equity crowdfunding. Entrepreneurs and platform managers can consider the results and leverage them to help support the long-term commitment of the crowd to future equity crowdfunding campaigns.

These reflections take us to the major implications of this work and their relevance to practitioners in the field.

The framework presented in Chapter 9 outlines the key issues that equity crowdfunding is facing, and suggests the importance of appreciating the diversity of motives driving investment decisions (utilitarian, emotional, expressive) and their relative weight (Statman, 2017), as well as understanding equity crowdfunders' opportunities to see those motives satisfied in relation to their investment behaviours and the challenges they face.

In terms of utilitarian motives, the absence of proper support for share exchange or remuneration can deter future investment due to a lack of financial satisfaction: "Equity Crowdfunding Is Dead -- Long Live Equity Crowdfunding" (Silchenko, 2015, n.p.). Few platforms allow the exchange of shares after an investment has been made, or have a proper secondary market in place.

One promising approach that regulators and platform developers might explore is the establishment of a unified secondary market. This market would facilitate the exchange of shares, irrespective of the originating platform or country of purchase. In that case, they might want to take inspiration from the Alternative Investment Market (AIM), a sub-market of the London Stock Exchange for small companies (Harrison & Baldock, 2015), and consider the presence of a market-maker, to increase the liquidity of this secondary market. This solution would expand the reach and potential of equity crowdfunding, but it would also introduce new challenges. There would be additional costs associated with operating the market and concerns regarding the appropriate overseeing authority, be it individual platforms or a central entity. Furthermore, proper regulations would be necessary to ensure the market-maker's ethical conduct.

Nevertheless, beyond the evident utility-driven benefits for investors, such as facilitating share sales and potential profit realisation, this solution carries ancillary advantages. Specifically, the elevated transparency and engagement levels necessitated by this structured market environment could enable stronger bonds to develop between start-ups and investors. This intensified scrutiny and subsequent disclosure would cater not only to investors seeking financial returns, but also to those who derive satisfaction from deeper engagement with the start-ups they invest in, thereby enhancing their overall investment experience and ultimate investment satisfaction.

Alternatively, a partial, but simpler, solution could involve the setting up of a clear dividend payment plan, once the start-up has reached a predetermined size/maturity and solvency level. Entrepreneurs could also present the crowd with buy-back schemes (repurchase of shares) at the moment of the investment, with clauses that allow investors to enforce them under specific circumstances. Implementing such a solution, however, would entail additional legal obligations and expenses. These would include the establishment of more complex contracts and a fair system for assessing share values during the buy-back period. Such complications might reduce the advantages of equity crowdfunding over other funding sources for the entrepreneur, thereby diminishing its appeal.

On the other hand, the analysis revealed that the fulfilment of emotional and expressive motives is central to the crowd, together with the opportunity to adopt active behaviours following an investment, which is linked to investment satisfaction. However, the crowd often fails to communicate with either entrepreneurs or platforms. The latter may aim to improve this situation through effective communication and community-building tools (Mochkabadi & Volkmann, 2020). The presence of online forums where equity crowdfunders meet each other and discuss their investments already suggests the importance of being part of a community. Therefore, both entrepreneurs and platforms should be interested in improving or setting up new communication channels between firms and investors (e.g. dedicated forums/blogs, which are actively managed, such as the Freetrade community).

Moreover, in the current era, which is dominated by social media, the importance of investing in dedicated personnel to manage investor relationships and encourage investor activism at the firm level cannot be overstated. Most start-ups today recognise the weight of their online presence and understand how pivotal online backing can be for their growth. Establishing an active channel, such as a forum where community managers can actively engage and oversee the crowd, is crucial for nurturing and sustaining positive long-term relationships. The Freetrade community exemplifies this. On this forum, community managers actively respond to queries about the company and represent a channel with the entrepreneurial management. This proactive engagement has fostered a vibrant community that surpasses its initial objective of merely connecting investors and entrepreneurs. It has evolved into a meeting place for any equity crowdfunder.

The study also reveals a desire for greater control and accountability within the crowdfunding ecosystem. Concerns about the behaviour of companies that have quickly failed or disappeared without communication underscore the need for more robust regulatory oversight. Equity crowdfunding is the smallest crowdfunding market (compared to donation, reward, and lending crowdfunding); however, “a better developed minority shareholder protection system is associated positively to the size of the donation and reward crowdfunding and lending crowdfunding markets” (Di Pietro & Butticè, 2020, pp.9). The adoption of Venture Capitalist (VC) procedures as staged capital infusion provides a potential solution to agency issues as it allows an investor to monitor the firm and its performance, retaining the option to abandon the project if necessary (Gompers, 1995). This solution could be implemented at a platform level and is particularly viable for large equity crowdfunding campaigns. For instance, some campaigns in the UK have raised over £1m, and others have conducted multiple follow-up campaigns, accumulating millions in funds (Beauhurst, 2020).

Additional considerations must be taken into account with regards to equity crowdfunding platforms. Kleinert and Volkmann (2019) have already outlined a need for platforms to enhance transparency regarding their due-diligence procedures directed at investors, elucidate their valuation methods, and provide a heightened level of information disclosure from the firms they enlist. Currently, investors have little insight into how the platforms select the companies that are allowed to raise capital on their portals, and this situation could definitely be improved.

Alternatively, it should be considered whether there might be the need for an external authority to conduct due diligence before allowing start-ups to raise funding on the platforms. In fact, as equity crowdfunding platforms obtain the majority of their earnings through campaign success fees, there is a remaining concern regarding a conflict of interest, such as that equity crowdfunding platforms have an incentive to relax their selection criteria, listing as many offerings as possible in order to increase their profits, regardless of the quality of the start-ups presented (Butticè & Vismara, 2022).

Finally, the research findings carry significant implications for policymakers who are concerned about safeguarding the interests of the crowd and the broader society. For instance, in the UK, investors receive loss relief when they invest in a crowdfunded start-up that eventually fails. It should be a priority for policymakers and regulators to ensure that such funds are not wasted, and to enable an environment that fosters transparency, accountability, and trust.

10.3 Limitations and Future Research

This study has conducted a thorough exploration of survey responses and data from a UK-based equity crowdfunding forum, and has presented a comprehensive framework that elucidates the investment decision-making pathway of equity crowdfunders. To further develop this line of research, future studies could aim to develop more refined and comprehensive metrics to measure investors' expectations and satisfaction levels. The use of these metrics could potentially shed light on the factors that lead to satisfaction or dissatisfaction among equity crowdfunders, which in turn can provide useful data for entrepreneurs and platforms to better tailor their communication and behaviour to their investors.

In fact, the analysis highlights the need to examine how entrepreneurs and crowdfunding platforms accommodate the multifaceted investment drivers and expectations of the crowd and how they can improve their strategies to align more closely with the expectations and requirements of equity crowdfunders. Further exploration of the communication/involvement tools that enable the satisfaction of the desire for interaction, and thus address expressive and emotional motives, is needed.

This study also has various limitations which offer additional opportunities for future research. Firstly, the research focuses on just one empirical context: the United Kingdom. Although the country is recognised as Europe's leader in equity crowdfunding, the varied cultural, economic, regulatory, and societal differences across nations would probably lead to different results if this research were conducted in another context. Future research could explore the impact of external factors, such as cultural factors, economic conditions, or regulatory changes, on both the investment behaviour and the potential investment satisfaction of equity crowdfunders. This could contribute to achieving an improved understanding of the dynamics of the equity crowdfunding market, providing insights assisting both entrepreneurs and platforms to navigate such changes.

Another limitation relates to the sample size of survey respondents. In fact, while the number is very high in comparison to past studies on equity crowdfunding, it is not comparable to those of research on stock-market investments, for example. With the evolution of equity crowdfunding, it might become possible to obtain larger samples in the future, as well as to conduct research based on cross-country comparisons. In fact, other equity crowdfunding markets might develop in size, and comparisons with the UK might become possible.

Furthermore, it is important to note that the online community Freetrade served as a source for both a proportion of the survey respondents and the qualitative thematic analysis that followed. While this presents an advantage for the research in terms of increased relevance of survey data interpretations when complemented by data coming from the same source, it may also be considered a limitation. Likewise, the items presented in the survey analysis were sourced from prior research and the pilot interviews. However, there might exist additional motives or behaviours not included here, which may influence the framework in unforeseen ways. Future research could explore these possibilities further.

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Appendices

Appendix A: Interview Guide, Pilot

Pilot Interviews before Survey

Investors

- Why do you invest in equity crowdfunding? / When you invest in equity crowdfunding, what are your expectations and investment objectives?
- What is your role once the campaign phase is concluded (what do you do after)?
- Are you happy with your current investments?

Entrepreneurs

- Think about your investors, why do you think they decided to finance your start-up?
    - What kind of personal return do you think they look for?
- Does the crowd try to interact/communicate with you/your employees now that the campaign is over? If so, in what ways?
    - Any additional comment you might have on the topic: do you know how many interact (rough %), or if they are institutional/retail investors?
    - Also, if there is an interaction, how do you feel about it (is it useful/useless – time consuming – difficult etc.)?
- How was/is your overall experience with equity crowdfunding? Would you do something differently?

Appendix B: Complete Survey

The survey will give important insights into what **current** and **ex-equity crowdfunding investors** think about investing on equity crowdfunding platforms from the **United Kingdom** (e.g. **Crowdcube, Seedrs, SyndicateRoom** etc.). Our knowledge of equity crowdfunding is limited. The survey aims to improve it for you, other investors, entrepreneurs, policy-makers and researchers. Your participation to this survey is fundamental and much appreciated.

The survey is focused on **UK platforms**, hence when replying to the questions you should <u>refer to your investments on UK equity crowdfunding platforms only</u> (platforms from other countries must NOT be considered).

Equity crowdfunding (ECF) is the process whereby people (the 'crowd') invest in early-stage, unlisted companies, in exchange for securities (e.g. shares).

Note: the term Equity Crowdfunding will be shortened to "ECF" for simplicity. The interested participants will receive a copy of the final results of the study. Answering this questionnaire will take about 5-10 minutes.

The response is anonymous, data will be stored on secure servers at Lund University and handled in accordance with GDPR and the praxis at Lund University.

Any question can be directed to the researcher responsible for the survey: camilla.civardi@fek.lu.se

Are you an ECF Investor/Ex-Investor on UK platforms?

Yes, I am an Equity Crowdfunding Investor on UK platforms
Yes, I am an Ex-Equity Crowdfunding Investor on UK platforms (I have stopped investing)
No, I do/did not invest in Equity Crowdfunding on UK platforms

Please select all the UK ECF platform(s) which you use/d for investing:

Crowdcube
Seedrs
SyndicateRoom
Angels Den
If other, please specify: _____

Which year did you start investing in Equity Crowdfunding on UK ECF platforms?

2011
(…)
2022

How many ECF investments (including follow-up) have you made?

1–5
6–10
11–15
16–20
21–25
26–30
30+

How much capital do/did you usually invest per ECF investment (£)?

< £50
£51–100
£101–500
£501–1000
£1001–2500
£2501–5000
£5001–10000
£10001–25000
£25000 +
I prefer not to answer

What proportion of your total financial investments (portfolio) is allocated in ECF (%)?

(Only asked to current investors)

<1%
1–5%
6–10%
11–15%
16–20%
21–25%

26–30%
> 30%
I prefer not to answer

Please assess whether the following objectives are relevant to your present/past ECF investment activity:

1=Strongly disagree; 2=Disagree; 3=Neither agree nor disagree; 4=Agree; 5=Strongly agree

Support start-ups which I like/d to be associated with (I share/d their values)
Have fun
Obtain a financial return
Gain reputation/recognition or prestige as an investor
Feel good when giving back to start-ups
Obtain a tax relief
Support economic growth (innovation, employment etc.)
Challenge myself in finding future winners
Develop connections/collaborations with the start-ups funded
Become part of a community
Enjoy the thrill of investing in seed/growth stage companies
Support specific companies that I am/could be a customer of
Develop connections/collaborations with other investors
I would NOT invest in ECF, If I were certain I would NOT obtain a positive financial return

Please assess your behaviour towards your ECF investments, once a campaign is concluded:

(Past verbal tense was used for ex-investors)

1=Never; 2=Rarely; 3=Sometimes; 4=Often; 5=Always

I act as a brand ambassador, promoting the start-up through social media and friends
I participate as a start-up board or advisory board member
I forget about the investment and wait for an exit
I offer business connections to the start-up (industry players, distribution etc.)
I provide feedback about the start-up's product
I introduce new investors to the start-up
I take a passive interest in the start-up and wait for investor updates, newsletter etc.

I offer my professional experience to the start-up (marketing, financial, legal, strategic advice etc.)
I keep in contact with other investors from the campaign
I actively monitor the start-up on socials, news and dedicated channels

Given your past ECF investment experience, will you keep investing?

(Only asked to current investors)

I am satisfied with my ECF experience and I will keep investing / It is too soon to know, but I will keep investing
I do not know / I am on a break, waiting for results before investing again
I am not satisfied with the experience and I want to stop investing

What is your country of residence?

The United Kingdom
Other

What is your age?

18 to 24 years
25 to 34 years
35 to 44 years
45 to 54 years
55 to 64 years
65 or older
I prefer not to answer

What gender do you identify as?

Male
Female
Diverse
I prefer not to answer

What is the highest degree or level of education you have completed?

High School
University Bachelor's degree
University Master's degree

University PhD or higher
Other (e.g. vocational/professional qualification etc.)
I prefer not to answer

Please specify if the following statements are applicable to your case:

I have obtained a university business degree
I have obtained a university engineering degree
I work / have professionally worked in finance
I have experience as entrepreneur/start-up founder

Please write if you have additional comment on this survey and/or your experience with ECF: ___

Please leave an e-mail address to receive the final study results: ___

Appendix C: Sources of Investment Motives

Motivation	**Type**	**Form of financing**	**Reference**	**Interview** *(E)=entrepreneur – (I)=investor*
Financial return	Utilitarian	Equity Crowdfunding	Cholakova and Clarysse (2015); Collins and Pierrakis (2012); Ordanini et al. (2011)	P (I): "make a great return (...) 1,000% or 2,000% return on investment" - "retirement/stop working/be financially independent" M (I): "build a portfolio of private investments which can deliver outsized returns" Pt (I): "Money- big exit or at least EIS relief, modest return" A (I): "the exit", "financial return, if I wanted to do charity, there would be other ways"
Tax Relief	Utilitarian	Equity Crowdfunding	Hornuf, Schmitt and Stenzhorn (2018); Zhang et al. (2017)	C (E/I): "it cost little due to EIS/ SEIS tax relief" A (I): "tax relief is the only thing that helps reducing the losses" G (I): "I got 30% back"
Thrill of investing in seed/growth stage companies	Emotional	Equity Crowdfunding	Estrin, Gozman and Khavul (2018)	M (I): "I have a higher risk tolerance and I enjoy investing in early companies and ideas" G (I): "People who invest look at it like a game, a bet, they put little money and forget about it, but that is not an investment, it is a game".
Challenge myself in finding future winners	Emotional	Equity Crowdfunding	Estrin, Gozman and Khavul (2018)	A (I): “can I choose the winners?" "Hit the jackpot with just one company and make enough money to improve my life" L (E): "There's also a bit of a lottery ticket thing you know, they think: hey, maybe if these guys can can go a long way, I can get a big financial return".

Have fun	Emotional	Equity Crowdfunding, Angel Financing	Katzenmeier et al. (2019); Mason and Harrison (2002); Zhang et al. (2017)	Pt (I): "I started crowdfunding in 2020 mostly for fun" P (I): "it's a bit of fun for me, you know, it's not really like if, if none of these investments ever come off, then I'm not going to lose any sleep over it".
Support specific companies that I am/could be a customer of	Emotional	Equity Crowdfunding	Ordanini et al. (2011)	P (I): “I was a customer, I liked the value proposition. I was habituated to the product through being a customer, and I've just become more interested in the company as time goes on” C (E/I): "the platforms look for 70% plus from your own private marketing" L (E): "I do not even understand the point of equity crowdfunding platforms as all the investors are customers"
Feel good when giving back to start-ups	Emotional	Equity Crowdfunding, Angel Financing	Feola et al. (2019); Wright (2017); Zhang et al. (2017)	C (E/I): “give back policy”
Support start-ups which I like/d to be associated with (I share/d their values)	Emotional	Equity Crowdfunding	Zhang et al. (2017); Moysidou (2017)	C (E/I): "some (invested) to support a female start-up, some the social and ethical mission, our impact/ give back policy, some to support a sustainable business/future with #plasticfreeproducts" P (I): "I like the idea of investing in companies that I (...) like the sort of mission and what they're doing".
Support economic growth (e.g. innovation, employment etc.)	Emotional	Equity Crowdfunding, Angel Financing	Estrin et al. (2018); Wetzel (1983); Wright (2017); Zhang et al. (2017)	Pt (I): “Support innovation and positive change in society” C (E/I): “Even if a business doesn’t make money/ a profit, presumably for a few years, it has employed people / paid income taxes etc, therefore, if nothing else I have supported the greater economy” A (I): "supporting innovation, green technologies and create employment"

				G (I): "support entrepreneurship ecosystem" and "young people's dreams"
Gain reputation/recognition or prestige as an investor	Expressive	Equity Crowdfunding	Bretschneider and Leimeister (2017); Collins and Pierrakis (2012); Schwienbacher and Larralde (2012)	A (I): “Firstly for me it’s an ego thing"
Develop connections/collaborations with the start-ups funded Develop connections/collaborations with other investors	Expressive	Equity Crowdfunding	Allison et al. (2015); Di Pietro et al. (2018)	C (E/I): "they try to sell their services. A great way to have an “in" into a business.” G (I): "get involved and put yourself in the game" A (I): "development of partnerships"
Become part of a community	Expressive	Crowdinvesting (hybrid equity and debt)	Wallmeroth (2019)	L (E): "you often get people offering support and help whether it's for raising more capital or whatever, opening doors or whatever else you may need. So yeah, it's like a good little community."

Appendix D: Sources of Post-Investment Behaviours

P.I. Behaviour	**Type**	**Form of financing**	**Reference**	**Interview** **(***E)=entrepreneur – (I)=investor*
I participate as a start-up board or advisory board member	Active	Equity Crowdfunding	Di Pietro et al. (2018): "Strategy knowledge"	G (I): "I invested in the campaign, but I invested 50.000, so definitely not a retail cut, in fact I joined the board of directors and so on." (...) "some shareholders actually joined the board of directors of these companies, for managerial coaching."
I offer business connections to the start-up (industry players, distribution etc.)	Active	Equity Crowdfunding	Di Pietro et al. (2018): "Strategy knowledge"; "Access to network" Brown et al. (2019)	L (E): "you often get people offering support and help ... opening doors or whatever else you may need" A (I): "I am creating heavy synergies. I'm putting in contact with each other startups that maybe one does need the services of another to boost his business, or even with customers or suppliers startup that might be customers of another startup, so this thing is helping very."
I introduce new investors to the start-up	Active	Equity Crowdfunding	Di Pietro et al. (2018): "Access to network"	M (I): "Engage in the investor calls / meetings."
I offer my professional experience to the start-up (marketing, financial, legal, strategic advice etc.)	Active	Equity Crowdfunding	Di Pietro et al. (2018): "Market knowledge", "Public awareness"; Brown et al. (2019)	C (E/I): Mainly try to sell their services (…) make suggestions e.g. sales channels/ outlets/ areas"
I act as a brand ambassador, promoting the start-up through social media and friends	Active	Equity Crowdfunding	Di Pietro et al. (2018): "Public awareness"	C (E/I): "It's also good to have a bank of supporters out there"; L (E): "we have 3500 shareholders today, they're brand ambassadors". P (I): "with my blog, I'm trying to raise awareness that this is an option for people because I do strongly believe that with platforms like Crowdcube and Seedrs, and other ones across the world, we're now getting to a point where like we're democratizing investing"

I provide feedback about the start-up's product	Active	Equity Crowdfunding	Di Pietro et al. (2018): "Product co-creation"	P (I): "both (Company1) and (Company2) do reach out to their investors and let them do, want them to be quite active when it comes to product feedback, and the direction of the company." M (I): "At least I would purchase / use the product, provide feedback and make suggestions if the company is responsive."
I keep in contact with other investors from the campaign	Active	Equity Crowdfunding	Di Pietro et al. (2018): "Access to network"	P (I): "We sometimes speak about this". A (I): "I have my network, my knowledge (...)"
I actively monitor the start-up on socials, news and dedicated channels	Active	Equity Crowdfunding	Brown, Mawson and Rowe (2019); Estrin, Gozman and Khavul (2018); Mochkabadi and Volkmann (2018)	A (I): "I google most days to see what's happening and also come on to the Company CF every day also company updates"
I take a passive interest in the start-up and wait for investor updates, newsletter etc.	Passive	Equity Crowdfunding	Blaseg, Cumming & Koetter, 2020; Block et al., 2018; Hornuf, Schilling and Schwienbacher, 2020	P (I): "subscribing to the newsletter, maybe following them on on social media" - "trying to just keep on top of what's going on in the company in quite a passive way" - "passively taking an interest in the companies" M (I): "I guess this depends on the company but it's a passive role." Pt (I): "Usually I just read investor updates (if there are any!)"
I forget about the investment and wait for an exit	Passive	Equity Crowdfunding	Blaseg, Cumming & Koetter, 2020; Block et al., 2018; Hornuf, Schilling and Schwienbacher, 2020	C (E/I): " [I do] Nothing!… maybe bought products if relevant/ liked .. poss bad [referring to their own behaviour] but not enough hours in the day."

Appendix E: Correlation Matrices

Correlation Matrix for "Table 5. Factor analysis of Equity Crowdfunding Investment Motives."

	Mot_Collaboration with Investors	Mot_Collaboration with Start-Up	Mot_Community	Mot_Gain Reputation	Mot_Shared Values	Mot_Customer	Mot_Support Economy	Mot_Feel Good	Mot_Thrill	Mot_Challenge	Mot_Fun	Mot_Return	Mot_Return2
Mot_Collaboration with Investors	1.0000												
Mot_Collaboration with Start-Up	0.7495	1.0000											
Mot_Community	0.7105	0.6092	1.0000										
Mot_Gain Reputation	0.5832	0.5242	0.5052	1.0000									
Mot_Shared Values	0.2140	0.2025	0.3402	0.2481	1.0000								
Mot_Customer	0.3943	0.3213	0.4507	0.2901	0.6040	1.0000							
Mot_Support Economy	0.3956	0.4225	0.3654	0.2894	0.4475	0.4329	1.0000						
Mot_Feel Good	0.4006	0.3799	0.5360	0.4645	0.5052	0.4402	0.5421	1.0000					
Mot_Thrill	0.4048	0.2681	0.4227	0.4437	0.2773	0.3724	0.3289	0.4593	1.0000				
Mot_Challenge	0.4492	0.4031	0.3063	0.4141	0.0430	0.2967	0.3107	0.2028	0.5749	1.0000			
Mot_Fun	0.1401	0.1180	0.2969	0.1636	0.3670	0.1617	0.2769	0.4351	0.4299	0.1062	1.0000		
Mot_Return	0.0816	-0.0322	-0.1162	0.0891	-0.1038	-0.1051	-0.0672	-0.2617	-0.0268	0.0891	-0.2947	1.0000	
Mot_Return2	-0.1161	-0.1478	-0.1516	-0.0491	-0.1236	-0.1120	-0.1048	-0.1773	-0.0148	0.0663	-0.2230	0.5360	1.0000

Correlation Matrix for "Table 6. Factor analysis of Equity Crowdfunding Post-campaign Behaviours."

	Prof Exp	Board	Offer Connections	Monitor	Intro New Inv	Prod Feedback	Brand Amb	Forget	Passive
Prof Exp	1.0000								
Board	0.5667	1.0000							
Offer Connections	0.7855	0.5443	1.0000						
Monitor	0.1994	0.1940	0.2453	1.0000					
Intro New Inv	0.2606	0.2408	0.3133	0.3777	1.0000				
Prod Feedback	0.3924	0.2396	0.3289	0.3547	0.4190	1.0000			
Brand Amb	0.2014	0.2031	0.1532	0.3696	0.3002	0.2070	1.0000		
Forget	-0.0654	0.0644	-0.0552	-0.2240	-0.0575	-0.0710	-0.3454	1.0000	
Passive	-0.1195	-0.0569	-0.0858	-0.0501	0.0501	0.0003	-0.1680	0.5076	1.0000

Appendix F: Alternative Factor Analysis, Investment Motives

	Expressive Motives	Emotional Motives	Utilitarian Motives
Mot_CollabInv: Develop connections/collaborations with other investors	**0.8910**	0.1360	-0.0082
Mot_CollabSU: Develop connections/collaborations with the start-ups funded	**0.8486**	0.0729	-0.1197
Mot_Community: Become part of a community	**0.7265**	0.3298	-0.1737
Mot_GainReput: Gain reputation/recognition or prestige as an investor	**0.7210**	0.2226	0.0841
Mot_Value: Support start-ups which I like/d to be associated with (I share/d their values)	0.0478	**0.8266**	-0.0610
Mot_FeelGood: Feel good when giving back to start-ups	0.3782	**0.6800**	-0.2301
Mot_Customer: Support specific companies that I am/could be a customer of	0.3063	**0.6623**	0.0089
Mot_Challenge: Challenge myself in finding future winners	0.2765	**0.6138**	0.1698
Mot_Supp_EG: Support economic growth (e.g. innovation, employment etc.)	0.3570	**0.6011**	-0.0230
Mot_Fun: Have fun	0.0492	**0.5984**	-0.3269
Mot_Thrill: Enjoy the thrill of investing in seed/growth stage companies	0.4477	**0.5353**	0.1312
Mot_Return2: I would NOT invest in ECF, If I were certain I would NOT obtain a positive financial return	-0.1328	-0.0172	**0.8419**
Mot_Return: Obtain a financial return	0.0664	-0.1508	**0.8370**
Total % of variance	27,15	21,73	13,22
Cumulative variance (%)	27,15	48,88	62,1
Cronbach's Alpha	0,8635	0,7959	0,6841
Extraction Method: Principal Component Analysis			
Rotation Method: Varimax with Kaiser Normalization			

Appendix G: GSEM Model 3 with Dummy Satisfaction

	Model 3 - Dummy Satisfaction			
	(1)	(2)	(3)	(4)
VARIABLES	Passive Behaviour	Professional Behaviour	Social Behaviour	Satisfaction
Utilitarian	0.149**	-0.114	0.0360	
	(0.0609)	(0.0972)	(0.0587)	
Expressive	-0.221***	0.328***	0.323***	
	(0.0755)	(0.0683)	(0.0746)	
Emotional 1_ Support	0.202**	-0.0554	-0.0225	
	(0.0784)	(0.0819)	(0.0714)	
Emotional 2_Thrill	-0.00800	-0.0946	0.188***	
	(0.0724)	(0.0708)	(0.0705)	
Passive Behaviour				0.183*
				(0.0977)
Professional Behaviour				-0.291***
				(0.110)
Social Behaviour				0.418***
				(0.102)
var(e.Passive Behaviour)				0.887***
				(0.0701)
var(e.Professional Behaviour)				0.797***
				(0.102)
var(e.Social Behaviour)				0.797***
				(0.0710)
Education	-0.195***		-0.129**	
	(0.0601)		(0.0542)	
Entrepreneur/Start Up Founder		0.664***		
		(0.156)		
Business_Degree	0.254**	0.372***		
	(0.127)	(0.124)		
N_Inv_Made				0.162***
				(0.0445)
Gender				0.661*
				(0.378)
Year				0.0968**
				(0.0417)
Residence				-0.700**
				(0.317)
Constant	0.456**	-0.321***	0.373**	-0.688
	(0.196)	(0.0703)	(0.167)	(0.613)
Observations	246	246	246	246
df				31
AIC				2269.387
BIC				2378.053

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Appendix H: GSEM of Sub–Samples

Age Sub-Samples

	Model 4 - Age < 45 years				**Model 5** - Age ⩾ 45 years			
VARIABLES	Passive Behaviour	Professional Behaviour	Social Behaviour	Satisfaction	Passive Behaviour	Professional Behaviour	Social Behaviour	Satisfaction
Utilitarian	0.175**	-0.205*	0.0955		-0.0102	0.0326	-0.156	
	(0.0694)	(0.108)	(0.0656)		(0.124)	(0.106)	(0.0995)	
Expressive	-0.277***	0.307***	0.308***		-0.146	0.453**	0.267*	
	(0.0874)	(0.0700)	(0.0896)		(0.184)	(0.199)	(0.159)	
Emotional 1_ Support	0.287***	-0.0487	0.00909		-0.0164	-0.269**	-0.0999	
	(0.103)	(0.116)	(0.0891)		(0.139)	(0.124)	(0.113)	
Emotional 2_Thrill	0.0110	-0.118	0.125		0.0213	0.0659	0.261**	
	(0.0934)	(0.0742)	(0.0872)		(0.122)	(0.149)	(0.111)	
Passive Behaviour				0.119				0.246*
				(0.124)				(0.132)
Professional Behaviour				-0.278**				-0.344**
				(0.127)				(0.160)
Social Behaviour				0.492***				0.195
				(0.133)				(0.169)
var(e.Passive Behaviour)				0.886***				0.964***
				(0.0839)				(0.125)
var(e.Professional Behaviour)				0.859***				0.909***
				(0.157)				(0.133)
var(e.Social Behaviour)				0.787***				0.762***
				(0.0908)				(0.1000)
Constant	0.0737	-0.0341	0.118		-0.144	0.0728	-0.202**	
	(0.0765)	(0.0704)	(0.0720)		(0.113)	(0.117)	(0.100)	
Observations	155	155	155	155	91	91	91	91

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Year 1st Investment (Year) Sub-Samples

	Model 6 - Year 1st Inv. < 2018				**Model 7** - Year 1st Inv. ⩾ 2018			
VARIABLES	Passive Behaviour	Professional Behaviour	Social Behaviour	Satisfaction	Passive Behaviour	Professional Behaviour	Social Behaviour	Satisfaction
Utilitarian	-0.159	0.0441	0.183**		0.269***	-0.225**	-0.0320	
	(0.116)	(0.102)	(0.0880)		(0.0570)	(0.114)	(0.0678)	
Expressive	-0.245**	0.405***	0.509***		-0.243**	0.210***	0.145	
	(0.0988)	(0.0995)	(0.0851)		(0.122)	(0.0810)	(0.135)	
Emotional 1_ Support	0.206**	-0.108	-0.194**		0.0635	-0.131	0.287**	
	(0.0945)	(0.0947)	(0.0754)		(0.153)	(0.181)	(0.136)	
Emotional 2_Thrill	-0.0417	0.0188	0.221***		0.0510	-0.125	0.119	
	(0.0936)	(0.0965)	(0.0836)		(0.128)	(0.126)	(0.130)	
Passive Behaviour				0.166				0.175
				(0.120)				(0.135)
Professional Behaviour				-0.294**				-0.294*
				(0.124)				(0.154)
Social Behaviour				0.264**				0.532***
				(0.131)				(0.153)
var(e.Passive Behaviour)				0.857***				0.955***
				(0.0952)				(0.111)
var(e.Professional Behaviour)				0.925***				0.778***
				(0.148)				(0.159)
var(e.Social Behaviour)				0.596***				0.982***
				(0.0765)				(0.125)
Constant	0.0620	0.0555	-0.0519		0.0263	-0.118	-0.0811	
	(0.0781)	(0.0802)	(0.0623)		(0.101)	(0.0911)	(0.108)	
Observations	141	141	141	141	105	105	105	105

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Average Investment Amount (Amount_X_Inv) Sub-Samples

	Model 8 - Average Inv. < £1000				**Model 9** - Average Inv. ⩾ £1000			
VARIABLES	Passive Behaviour	Professional Behaviour	Social Behaviour	Satisfaction	Passive Behaviour	Professional Behaviour	Social Behaviour	Satisfaction
Utilitarian	0.0449	-0.133	0.0526		0.301***	-0.238	-0.0456	
	(0.0941)	(0.104)	(0.0611)		(0.0898)	(0.166)	(0.0796)	
Expressive	-0.230**	0.232***	0.464***		-0.125	0.428***	-0.0965	
	(0.103)	(0.0714)	(0.0775)		(0.147)	(0.160)	(0.165)	
Emotional 1_ Support	0.103	-0.0967	0.0773		0.215	-0.233	-0.0692	
	(0.110)	(0.0988)	(0.0812)		(0.146)	(0.160)	(0.118)	
Emotional 2_Thrill	0.00487	-0.0508	0.0637		-0.0105	0.136	0.470***	
	(0.0927)	(0.0862)	(0.0783)		(0.143)	(0.144)	(0.117)	
Passive Behaviour				0.0730				0.364**
				(0.111)				(0.148)
Professional Behaviour				-0.374***				-0.218
				(0.141)				(0.145)
Social Behaviour				0.296**				0.546***
				(0.119)				(0.177)
var(e.Passive Behaviour)				0.957***				0.870***
				(0.0971)				(0.105)
var(e.Professional Behaviour)				0.704***				1.055***
				(0.169)				(0.134)
var(e.Social Behaviour)				0.614***				0.945***
				(0.0773)				(0.118)
Constant	0.0197	-0.165**	-0.0344		-0.0746	0.280**	0.179*	
	(0.0835)	(0.0687)	(0.0660)		(0.106)	(0.113)	(0.103)	
Observations	148	148	148	148	98	98	98	

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix I: Extracts from Forum Comments

Utilitarian Motives	
Financial return (FR)	
I2_FR	"I don't believe that x1.5 is a great return!"
I4_FR	"Given the high failure rate of early stage investing 4.3x over 7 years would be below par." "What is the likely exit for Company? Is it's an IPO or Acquisition target and if so who?"
I12_FR	"that's a 5X return in 18 months in theory and their trajectory is exciting." "If you have *Company* and *Company* you've already picked a couple of potential winners (as it looks at the moment). The advice I've seen on these is to more than double down.."
I14_FR	"As much as I like the mission, return criteria have to fit too. I'm not yet fully convinced but from face value I see it as one of the interesting ones on market atm with attractive valuation. Worth spending some time on for me."
I16_FR	"Getting excited here :slight_smile: Hope *Company* is not raising soon and the advance subscription converts to £60M valuation. It would be good for those who subscribed as we can be very hopeful of a much higher valuation in the next round. I also hope *Company* speeds up their expansion."
I17_FR	"Time will tell. We are here to make money! :slight_smile:"
Tax and loss relief (TLR)	
I10_TLR	"Just waiting for the final demise so we can at least claim the EIS loss relief." "Only one positive return but they sold out before the three year EIS period so return was reduced."
I11_TLR	"EIS relief is a must unless they are an existing investment."
I12_TLR	"I've just been doing my tax return for the year (yuck) and am hoping to get some relief from my EIS and SEIS investments that didn't make it."
I18_TLR	"Pretty sure I claimed tax relief on this dog about 3 years ago."
I19_TLR	"I typically only invest in EIS eligible companies through crowdfunding"
High -risk appetite and loss tolerance/Unicorn (HR)	
I1_HR	"you need to accept that most of your investments will fail and the hope/personal due diligence is there to hopefully pick enough winners to balance the books. But don't invest in private equity (or crypto) unless you are willing to lose it all." "it was one of my crazy WTH investments which I let myself make every now and then :wink:"
I2_ HR	"Thats me £5000 down the swanny,you win some(*Company*) you lose some!" "yes they will easily be a unicorn when that happens!"

	"I have this down as a jackpot investment"
I3_ HR	"This is high risk high reward." "That's why if you can nail this type of business the size of the prize is colossal but of course high risk. Just the way I like it :ok_hand: :smile:" "They could easily scale up to a unicorn if they get this right." "Very nice progress and incredibly detailed business plan / path to reach unicorn status by 2026."
I12_ HR	"Outsize returns are the thing that will make this work and there's no guarantee there. I think they call it "swinging for the fences", hoping for a 100 bagger or above…" "I'm looking for outsize returns and think that focusing in on these two areas I'm more likely to hit them."
Self-efficacy (SE)	
I1_SE	"Completely agree that there are red flags everywhere. I don't do this often but every now and then allow myself a few wildcards. (…) Time will tell and 100% open to people calling me a fool in the future :wink:"
I2_ SE	"I am also very confident that I will comfortably succeed at this game,even though I have discovered it to be a bit of a cesspit!" "I am sitting negative about £5000 at the moment but I have a very very positive outlook regarding my other investments."
I12_ SE	"I'll invite you to my yacht when this one takes off!"
Emotional Motives	
FOMO (FO)	
I1_FO	"Bugger, the wind and wave one that got away :wink: Congrats!!" "Annoyingly, the one that got away. (…) Like you say, should have focused on the desalination but rather than power."
I4_ FO	"Any news on the terms? I liked the *Company* pitch but didn't pull the trigger on an investment, want to know if/how much I should kick myself."
I12_ FO	"Only 1m available though, will need to be quick." "I've passed the opportunity to invest several times and still it's there, growing and making me realise I missed this one."
I17_ FO	"So we basically in other words we missed the train…" "What are your thoughts on "THIS" ? Have you tried it? Is it that good? Any info? (…)….it seems they are after unicorn status, do not want to fomo in the current environment"
Search for fun/thrill (SFT)	
I2_SFT	"One more hurdle to overcome and (…) if they are successful then it's "Too the Moon""
I3_ SFT	"Exciting and seriously nervous at same time but that's the buzz we are all looking for." "I'm here for the ride." "It's a gamble worth taking for me…."

I7_ SFT	“It is a mix bag for me but it is fun” “I love it actually.”
I16_SFT	“Getting excited here :smile:”
Support liked entrepreneurs/teams (SLE)	
I3_SLE	“I like the pose of *Entrepreneur’s_Name* the founder- he carries a humility that I love to see in founders. (…)*Entrepreneur’s_Name* is absolutely outstanding. Talk about investing in people this is it.”
I4_SLE	“I’ve been thinking more and more about founders and less about the business recently.”
I6_SLE	“Worth a look, the founders are very responsive in the discussions.”
I15_SLE	“Can’t wait to see how these guys get on, very very strong team”
I16_SLE	“the Q&A video with an investor indeed shows that the founder is a very likable person”
Support valued projects (SVP)	
I1_SVP	“Yeah, the desalination bit was originally the bit that caught my eye rather than the energy bit. Millions of people will hopefully benefit from that.” “Have previously been a big fan”
I2_SVP	“This has to be one of the best features that *Company* have released,it is fantastic”
I3_SVP	“have huge hopes for these guys. (…) I think they are in the right place at right time with the right solution.”
I7_SVP	“Believed this one would succeed but it bits the dust. They were doing really good work helping the environment.”
I12_SVP	“Any fans of Calvin and Hobbes in here? You will love this one… I’m going in large style…” “Don’t underestimate the craft economy, companies like *Company* are big business…”
I13_SVP	“Not going to lie *Company* ticks alot of boxes: Team (VC involvement, CEO ex-*Company*) (…) Eco-friendly, Socially conscious narrative”
Expressive Motives	
Investment disclosure (ID)	
I2_ID	“I’m in for £1300 and will maybe top up to £2000 when it opens in a week or two”
I8_ID	“Yeah I invested, I was just reading the update. It’s cool that they now have commercial products on the market.”
I11_ID	“Since 2017, I’ve invested in *Platform* £317,502.80 in 224 companies and *Platform* £57,517.30 in 18 businesses. Other investments (including direct top-ups) of around another £50k (*Company*, *Company* for example). I calculate that I’ve lost around £30k in total, but I think this will increase as the cost of living crisis continues to grow. The biggest burns to date: *Company* and *Company* (around £20k lost between them). My largest investments are *Companies* (…) I estimate the portfolio as of last year to be £600k (…) I am confident I will still generate a profit , as my key investments are faring well (…)”.
I15_ID	“Invested in their previous round and will defo be doubling down!”.

Societal contribution (SC)	
I1_SC	"Yeah, the desalination bit was originally the bit that caught my eye rather than the energy bit. Millions of people will hopefully benefit from that."
I2_SC	"I think it is ingenious and could potentially save the WHO billions IF the human trials succeed and they can overcome the politics side of things."
I3_SC	"have huge hopes for these guys. Essentially a tool that can run a self employed person's business, provide powerful insights and save days of time each year on accounting and tax. I think they are in the right place at right time with the right solution."
I19_SC	"I'm going to invest a smallish amount in *Company*. We're moving to a cashless society. It delivers good ROI for charities.".
"Expert" recognition (ER)	
I13_ER	"So just wanted to recap on the upcoming campaigns that have come into the fore since I started this thread (…)" "If anyone has found my posts in this thread helpful and would fancy more like it in a dedicated site, please do let me know – it's great incentive and reassurance for me to fully take the plunge.:smile: I think it'd be awesome if we were in a position where as a community we could effectively encourage companies to crowdfund!:astonished:" "Just wanted to say I'm grateful for all the support, and I mean each and every DM, reply or like, it's definitely the encouragement/reassurance I needed, now in 'let's do this' mode :muscle:"
I2_ER	"Property is a massive no no for me along with ALL drinks companies in the crowdfunding sphere! Although I do predict success for *Company* with failure for *Company*!" "Absolute bottomless pit of cash and what is the first thing to go during an economic downturn? You guessed it luxuries like boats. I presume you are an investor *User*", "I wouldn't go near them with a barge pole. (…) So ask yourself this question,why do they keep coming back time and time again despite the fact they have a product??".
I3_ER	"Profit is absolutely not the way to go up front. That's not how this game works. Do you suggest *Company* slows down, stops doing continual raises and turns a profit instead of growth. :thinking: Yeah I thought not. This is high risk high reward." "Always enjoy getting different views and perspectives. My Investing 5 "Sniff Test" Items are: Leadership Team (exit experience, diversity, ability to pivot…). ESG Credentials. Does their product/service fix a genuine issue. How strong is their USP/MOAT. Is it seriously scalable w potential for huge ROI. Number 1 is MASSIVE. With the right people they will make a success out of bloody anything."
I5_ER	"If you want to have a chance of generating meaningful returns from crowdfunding, you need to invest like a sophisticated investor: forget about the minutiae of the company, focus on the bigger picture, invest early in companies that have a path to delivering at least 100x returns (which involves, in part, believing in the founders). Most will fail, but as long as 1 in 10 succeed at 100(0)xing, you'll see meaningful returns." "invest in the early rounds of every company that has a substantial investment from a reputable fund. I wouldn't even look at the companies."

Reinforcing role of Expressive Motives	
Reinforcing emotional motives (REM)	
I2_REM	“I have said consistently from day one *Company*”
I8_REM	“I did top up my *Company* investment in the most recent round, I feel they are one of the few that are making real progress”
I13_REM	“I think some great businesses have crowdfunded this year, e.g. my personal 2019 favourites: *Companies*”
Reinforcing utilitarian motives (RUM)	
I1_RUM	“It was definitely one of my moonshot investments but on paper has been positive. Their plan is to go public this year (no promises obviously) to raise funds to invest in more businesses and to scale the show globally.”
I3_RUM	“Yes I invested in their first two rounds and from just £4K I have ~45K *Company* that are at $1.90 each as of today. Crazy! I have no plans to sell and will let this ride to silly levels and then offload…”
I9_RUM	“I invested in *Company* 3 years ago and they grew revenues from £5m in 2019 to £15m in 2020 (cover boom)”
I12_RUM	“that’s a 5X return in 18 months in theory and their trajectory is exciting.”
Campaign Behaviours	
Contact entrepreneurial team (CET)	
I3_CET	“After a direct connect from the CEO, I’m currently having a serious look at the following opportunity on *Platform*: *link*. What are peep’s thoughts. Defo something different for sure”
I4_ CET	“Okay gang. I bring to you a CC pitch that had my head turned. (…) I’ve request access to the future projections and they have a webinar next week.”
I5_ CET	”After reading their pitch deck, I’m none the wiser about their target or the use of the proceeds. (…) I don’t understand why, so I’ve asked! I will edit this comment with the answer. edit: They responded to me to say (…)”
I13_ CET	“They were meant to go live this monday just gone, actually. They’ve said it’ll be this monday now, but I have my doubts. Definitely an interesting one to watch. Source: Emailed the founders.”
Discussion board (DB)	
I1_DB	“I’ve posted a bunch of questions so let’s see…”
I7_DB	“ no no for me because of the lack of information. The most amazing thing was whoever was handling their responses saying they have had the figures vetted by their larger investors so the figure are all good.” “Even *Company* said that too. It is irritating to tell people you are asking to invest in their business that they have no right to see your finance.”
I16_DB	"They were and still are not very responsive to or vague if they do answer, tough questions on the Discussions.”

Discussion among each other (DEO)	
I1_DEO	"Anyone looked at *Company* on *Platform* yet? Invested in their previous round." "*User* Have you looked at *Company* on *Platform* (sorry if I missed a post earlier)."
I2_ DEO	"*Company* on *Platform* looks interesting. Any thoughts? I like it." "dare I say but another over valued company with vague replies in an out like a thief in the night!"
I3_ DEO	"Anyone here invest in *Company*? I did (one of my bigger ones) and have huge hopes for these guys." "Here's one I'm currently assessing. This one was a recommendation (just today) to me from a big hitting start up investor. *Link.* What do you think?" "Here's a new one for you. I have been reviewing and assessing these guys for the past few weeks and this week I took the plunge and invested."
I4_ DEO	"Hello Hive mind :honeybee: I've come across this pitch on *Platform* that has caught my attention. I like to invest in business I could / do use and like Fintech / Insurtech spaces as ripe for new entrants. Has anyone else given this a serious look?"
I6_ DEO	"*Company link*. Worth a look, the founders are very responsive in the discussions." "Be careful. The main investors have a lot more information. With that said… Has the company given a reason for why the investor pulled out?"
I11_DEO	"*Company* is raising at a questionable valuation… Does anyone else think the same?"
I14_DEO	"Anyone here looking at *Company 1*? I invested in *Company 2*, which seems miles ahead of *Company 1*, but the valuation, institutional backing and early traction seem very attractive. They are raising on *Platform*, about a week left on the campaign. Anyone else in this?" "Great post, I also have a background in the field. I agree with your take & answers from management (…) Whilst I agree on your comment on healthcare investing, I do believe that (…)"
Expert opinions (EO)	
I1_EO	"Walk away. If they don't respect prospective investors with sharing sufficient about this business to have an informed decision then they are unlikely to respective crowd investors with updates or more important share classes."
I9_EO	"From what I understood *Company 1* has a "*Company 2*" business model, lending to people with no credit history in Spain. I suggest you guys check the EY Audit in *Platform* section, page 25: of the £100m of revenues, £35m come from penalties to customers. Personally, I would not like to invest in a company with low ethical standards."
I10_EO	"I would check on Conpanies House if any of the directors have any history - good or bad!"
I12_EO	"I'm pretty familiar with them (…) I can see them growing but I'd say the market is parties and corporate events rather than anything bigger so they'll always be constrained to getting money evening and weekends. (…) No matter how good they are people don't seem to be sticky with the product so I don't see the outsize returns here. If the comparison is with bowling or

	cinema for a night out then they come in a bit pricey too. Not to say I don't think they're good, just don't see how they get good returns longer term."
I16_EO	"I think I have followed every one of *Company*'s round on *Platform*, but couldn't get myself to invest in the company. Early on, their business model wasn't very clear and that's why I'm not surprised that they keep on crowdfunding this frequent to support their growth. They were and still are not very responsive to or vague if they do answer, tough questions on the Discussions. This time around, I feel that they play too much marketing tricks which are to me bordering on being misleading. One is that all ordinary A investors who invested in the private part of this round were lumped together as one? Making it appear to those who don't look closely that an entity is investing over 3m! Why the need to do that? Is it because they couldn't get a single VC to support them? (…)"
Post-Campaign Behaviours	
Monitoring and news sharing (MNS)	
I3_MNS	"As an existing and long term shareholder in *Company* I received the details of the VC / Series A raise. Without sharing too much, as it's confidential, they have secured a multiple £M investment (…) Will be an interesting next couple of years… " "Happy to share any info I get in case you guys don't get it, just let me know…."
I9_MNS	"no… its something that I heard from a reliable source (an insider)… I think we can assume that the company is selling between 15% and 20% of the equity?"
I16_MNS	"I'm also invested in Vita Mojo and participated in their recent raise. You can follow their progress closely by following their LinkedIn account."
I19_MNS	"*Company* investors (me included) about to take a massive paper loss in an emergency equity round. They were hit early with coronavirus knocking off their China factory, so were out of stock even before the virus hit the West."
Brand ambassador (BA)	
I2_BA	"I've invested twice in *Company* great team and great product. They are going to continue growing and eventually I can easily see them being acquired" "These two brothers are absolutely smashing it. Back for more after 3 years and have they done well???"
I3_BA	"THEY ARE selling the product with substantial double digit growth year on year, including landing a very ambitious and successful expansion to the US and investment in their teams, product development and infrastructure. All raises are over subscribed and with significant repeat experienced investor activity and with realistic valuations." "*Company* launching second round of funding on *Platform 1*. First round was *Platform 2*. I like. Invested in round 1 and a follow up pre emption round. *Company* price is already x5 from launch in Sept 2019 :rocket: Very impressed w leadership team who could take this to a very exciting place and exactly what gets me excited about crowdfunding…" "Can I suggest you have a look at *Company* on *Platform*. I've invested in these guys twice, including this round (well it's a reservation currently for this round). They have a great scalable solution, terrific leadership team, timing is right, and big hitting

	lead investor. They have also just agreed a tie up with Google which they excitedly announced to investors yesterday although exact details are not yet known….”
Asking for guidance (AG)	
I11_AG	“Thanks, but have you invested? Cash burn isn't always a bad thing (usually but not always) so I am weighing up all information. *Company* for example delivered a great return. Do you have any knowledge on the company as an investor or only what I can see?”
I12_AG	“Is anyone else here an investor in *Company*? They're currently 15X and offering us to sell 50% stake. Just wondering what anyone else is doing? I'm inclined to hold but would appreciate any guidance.”
I16_AG	“This is good news. I'm an investor. Can you please share the source of this info? - Thanks. Just able to check my email. Have they indicated somewhere else the price per share in the IPO? Hope it's a good multiple to the 2018 & 2019 rounds.My question now, being based overseas, is what would be my best course of action to sell my shares. Will *Platform* facilitate this for those based overseas? Any idea or info?”
I17_AG	“do you have any idea of their latest round's valuation and share price? I invested back then on *Platform* in 2017 if i remember correct. They have never raised again since then on *Platform* right?”
Contact entrepreneur (CE)	
I1_CE	“I have emailed both *Platform* and the *Company* CMO (I had his email) to ask….will hate anything useful I get back.”
I3_CE	“Hey nice choice on *Company*. I invested early in the *Company* days. I met *Entrepreneur* in San Francisco early this year and everything they are doing is so polished and profesh. Making excellent progress and I reckon we could be close to an exit in the next 24 months.”
I10_CE	“I have been reviewing those (that have not failed yet) and will be contacting any that have not provided updates within the last three months. Especially with the seemingly more relaxed rules on providing updated accounts to Companies House”
I16_CE	“I sent an email to *Entrepreneur* of *Company* few days ago but I still have not received a reply :frowning:”
Contact platform (CP)	
I1_CP	“Have been chasing *Platform* for a few updates across businesses and they said that they had been talking to *Company* over the last few weeks.”
I10_CP	“Just trying to work out if EIS loss relief is available (…) Have asked *Platform* about it.”
I12_CP	“I had to make a formal complaint to *Platform* after they told me that B class shareholders were “not entitled to information”. I understand they're doing well but found this disappointing.”
I18_CP	“I have asked *Platform* to investigate it as a scam. I understand most start ups fail, but this one looks as if it didn't even try.”
Challenges to Satisfaction of Emotional and Expressive Motives	
Lack of platform communication (LPC)	
I2_LPC	“And not a single word from *Platform* to let investors know about their investments.” [rumoured acquisition]

I10_LPC	*“Platform* are rubbish at answering questions about companis that have failed or in difficulties - been waiting over a month for replies to two messages.” “*Platform* show the company as trading which I guess technically it is. They are not great at updating investors when companies are in difficulties. Just waiting for the final demise so we can at least claim the EIS loss relief."
I12_LPC	“Guilty of investing in this one. *Platform* haven’t said anything, someone on the forums picked it up. I have to say, my failures are almost all exclusively on *Platform* and they are complete rotters at telling you what is going on. I don’t hold them responsible but I think they should provide the feedback and information flow for what’s going on. Also, simple statements like whether you can right off the loss against tax etc.”
Lack of entrepreneurial communication (LEC)	
I2_LEC	“They are still trading,but do not reply to messages nor give updates . You just kind of know when you are going to get screwed over.” “Absolutely 100% screwed over from day one,they never communicated from day one and basically took the money and gave investors the “V” sign”
I3_LEC	“How many times have you heard “sorry for nothing for 9 months we have been really busy”. What to spend an hour or two preparing an update (on information you already have at hand) informing the people that essentially kept your business alive in the early stages or to engage a group of brand ambassadors that will go above and beyond to help the brand. Madness & Outrageous. I just keep sending requests for the updates until they reply and commit to improving. Never give up”
I10_LEC	“Some are good (*Company 1*, *Company 2*, others good when they are seeking more investments and others very poor. I have been reviewing those (that have not failed yet) and will be contacting any that have not provided updates within the last three months.”
Lack of control (LC)	
I2_LC	“It would be nice Ito know if *Entrepreneurs* let us know what wages they are taking and if they have previously sold any shares??” “I URGE ALL INVESTORS TO STAY AWAY FROM THIS COMPANY THEY ARE LIKE VAMPIRES SUCKING PEOPLE DRY & I do feel sorry for all previous investors who unfortunately are going to lose all their money. *Company* will be no more in 6-18 months.”
I20_LC	“Shareholder investors sold down the river. You have to be so careful with start-ups.”
I3_LC	“I’d love to see the terms of the asset sale, especially around what it means for the leadership team. LOVE to see it, but yep you guessed right that ain’t happening like in all these cases. Something smelling really fishy me thinks…”
I4_LC	“That have been far too many companies raising Millions from crowdfunding on to go into administration months later having used the funds to pay back director loans.”
I5_LC	“if you’re a layman participating in crowdfunding then you’re just dumb capital, you as an individual are worthless to founders, in fact you’re a liability, and so the investment case for participating in a crowdfunding round has to be very tightly coupled to the company you’re investing in… because when the company blows up, you’re left with nothing: the founders couldn’t care less

	about you, they don't know your name, and you probably won't have the opportunity to invest in them again.", "well-off people enrich themselves further at the expense of normal people with predatory financial nonsense."
Challenges to Satisfaction of Utilitarian Motives	
Lack of monetisation (LM)	
I1_LM	"Paper money is nice. Real money will be nicer :wink:"
I9_LM	"the IPO question is a interesting one for *Platform*… considering that no *Platform* Companies IPO in the last 10 years maybe they assume that it will never happens…"
I10_LM	"Missed an opportunity with *Company* in 2020 to sell the shares back to the founder; have had no updates from the company since"
I14_LM	"In this type of investing its really hard to get experience first hand because it takes years for a startup actually get to a point where you can post mortem it or learn from its success."
Early exit (EE)	
I8_EE	"on my one succesful exit, to be honest I thought they sold too early, it seemed like the business was just taking off.", "Made 3X my investment, but I think it could have been more " "that's why I pretty much stopped crowdfunding. My two exits have been 3X and 1.7X" "I was particularly disappointed by *Company*, seemed like they were on to a winner and they sold for ~1.7X It felt like the initial risk wasn't worth it for that"
I9_EE	"I invested in *Company* and the return has been 3.5x (without EIS) and 5.0x (with EIS). Not really fantastic…" "it was a disappointing outcome considering the amazing traction of the company. The company was sold for £42m but its generating annual revenues of £55m…"
I10_EE	"1 exit but within 3 years so EIS impact 1 buyout with marginal return - again within 3 years 1 where new owner bought 50% of the holding - in profit and still have 50% holding Would I invest again? – unlikely"
Investment failure (IF)	
I10_IF	"If it has failed I am surprised that I did not invest!" "8 out of 19 investments failed - losses around £3k but have some loss relief to claim back. Only one positive return but they sold out before the three year EIS period so return was reduced."
I11_IF	"I have industry experience, and the failure rate of crowdfunding companies is certainly above 90%."
I12_IF	"*Platform* - 9 out of 22 companies I've invested in have stopped trading (ouch)."
I16_IF	"Incredible indeed. It seems that *Platform* does not do anything at all to filter the companies raising on their platform." "I lost on *Company 1* too, and *Company 2*, *Company 3*, and *Company 4*."

I18_IF	“Up to 7 now. 7 failures in three weeks! And only a few have bothered to tell investors directly.” “Then there are the complete scams. I don’t do it anymore. Too much crap and no good information to do due diligence.” “What you’ll find is a lot of companies about to go pop, with massive debts, come to *Platform 1* (usually) to raise funds to clear the debt, with vast promises and, often, little scrutiny. They raise hundreds of grand, pay their staff and creditors, but ultimately the company is still going down the pan. Then they fold, because the owe equityholders nothing. And it’s just tough luck. Shareholders have been more or less scammed, and *Platform 1* / *Platform 2* trot out “unfortunately this, and disappointingly that, crowdfunding is risky etc.” while knowing they’ve allowed you to be scammed. Which is why I don’t use them anymore”.

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