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Proof of concept – Enterprise Crowdfunding

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54. Proof of concept – Enterprise Crowdfunding

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Abstract

In this short paper it will be discussed how crowdfunding concepts can be successfully used to support internal financing projects towards Enterprise Crowdfunding. A central platform to be developed will guarantee transparency in order to ease and facilitate synergy-effects between company divisions and departments. Besides transparency crowdfunding – especially through its federalistic financing concepts – can contribute to the evaluation of new planned projects. Furthermore, fair according to the input involved is not more problematic. The probability to not get funding for those projects which deserve support it is significantly reduced.

Keywords

Enterprise Crowdfunding, innovation und idea management, internal project, internal cost allocation.

1. Introduction

Crowdfunding is growing in Europe for years and is becoming increasingly important. A study by the University of Cambridge in cooperation with the company Ernst & Young revealed that a total of 255 European crowdfunding platforms have generated a total revenue of almost three billion euros in 2014. In comparison to 2013 this is an increase of 144 percent. The authors of the study predict a volume of seven billion Euro for the 2015 (cf. (Pauli 2015)). The figures from Germany confirm this trend. The revenue on German platforms has increased by 83 percent to 2.2 million euros in the first quarter of 2015 compared to the first quarter of last year (cf. (fürgründer.de 2015a)). Even the degree of familiarity of crowdfunding is steadily rising. A recent survey of the platform crowdfunding.de shows, that about half of the respondents have already heard of crowdfunding before. Nearly 25 percent of respondents know what crowdfunding is and about 7 percent have already made financial contributions to a crowdfunding project (cf. (Harms 2015, p.3)).

2. Problem definition & literature review

In science, as well, the topic of crowdfunding gains an increased relevance (cf. (Block & Moritz 2013, p.1)). In this context, it is therefore surprising that the search for scientific studies on the topic of Enterprise Crowdfunding is not successful, except the IBM study which is described in more detail below (cf. (Muller, Geyer, Soule, Daniels, et al. 2013)). Companies have already

identified the benefits of related subjects, such as the crowdsourcing. For many large companies internal corporate networks and other collaboration platforms are already a part of daily routine (cf. (Leimeister 2014, p.211)).

The detailed analysis of the crowdfunding mechanisms shows that the properties of crowdfunding address many problems of especially big companies. Presenting the project idea at an early state, allows an early integration of many stakeholders into the process. Both, the rapid development of the market, as well as the changing needs of employees at their workplace, require constant adaptation by the company. Project plans result from this adaptation, which must then be evaluated, decided and if necessary implemented. This optimization and innovation projects usually fall into the responsibility of a special department in a company. This department must answer the question, whether and in what form the original project plan is to be implemented. It often turns out that a single department or workgroup can hardly estimate the benefits of the project for the entire company (cf. (Clemons & Weber 1990, p.9)). Potential synergies of different departments are in danger of getting lost when the project content is analyzed without the various departments that are affected by the changes. In addition to these difficulties, the search for financing partners in the company might be difficult as well. If the decision was taken and the funding is clarified, it is not uncommon that only a few of the stakeholders in the company are integrated into the project planning. Similar problems also exist in the private sector. In the private sector crowdfunding platforms such as Kickstarter, Indiegogo and Startnext are established to solve these kinds of problems. Kickstarter and Indiegogo belong to the best known and because of their total volume to largest crowdfunding platform (cf. (Gebert et al. 2015, p.17)). Startnext is the most commonly used crowdfunding platform in Germany (cf. (Carstens & Schramm 2014, p.7; für-gründer.de 2015b, p.3 f.)). The interaction with the crowd helps to easily identify the needs for a project in advance and helps searching for funding partners.

The similarity of occurring problems in the realization of projects in the private sector, as well as in the enterprise environment is obvious. Therefore, it is necessary to attempt to explore whether and how crowdfunding approaches can be successfully transferred to the enterprise environment. There are four different approaches: donation model, reward model, lending model and equity model (cf. (Beck 2012, p.15 f.; Giudici et al. 2012, p.8; Leimeister 2012, p.389)). This research is based on the study of IBM, which has dealt in a field trial with a scientific approach on the topic of Enterprise Crowdfunding (cf. (Muller, Geyer, Soule, Daniels, et al. 2013)).

3. Research methodology and goal

Based on the problem which is described above, the goal is to develop a concept that transfers crowdfunding approaches successfully in the enterprise environment. This is achieved through the development of an Enterprise Crowdfunding platform that adequately takes into account the specific requirements of the enterprise environment. It is therefore necessary to determine the requirements for an Enterprise Crowdfunding platform using appropriate survey methods such as expert interviews. This research as well investigates which incentives are needed to motivate employees to participate at the Enterprise Crowdfunding process. Due to the collaborative approach, the platform has to be integrated into existing system environments. For this purpose the implementation of interfaces to common information and application systems is necessary. It

is also necessary to have experience data for the operation usage. Therefore, an evaluation by testing the prototype in a company is needed. This is followed by the central question:

How can crowdfunding approaches be successfully transferred to the enterprise environment to support the financing of internal projects profitably?

In this respect IBM published two studies which are outlined below (cf. (Muller, Geyer, Soule, Daniels, et al. 2013; Muller et al. 2014)). The study with the title “Crowdfunding inside the Enterprise: Employee-Initiatives for Innovation and Collaboration” describes when employees participate in such a platform and how it can be successfully established in the company (cf. (Muller, Geyer, Soule, Daniels, et al. 2013, p.503)). The second study is entitled „Geographical and Organizational Commonalities in Enterprise Crowdfunding“ and includes possible effects that may arise from the geographical and organizational similarities and differences of employees (cf. (Muller et al. 2014, p.778)).

As an essential result of this study it transpired that approx. 48 percent of the test group participated voluntarily in the experiment (cf. (Muller, Geyer, Soule, Daniels, et al. 2013, p.507)). A comparison to Nielsens assumption according to the average contribution rate of 10 percent in social networks shows how extraordinary large the contribution rate in this experiment was (cf. (Nielsen 2006)). The crowdfunding platforms gave the employees the possibility to communicate their project ideas through total new ways (cf. (Muller, Geyer, Soule, Daniels, et al. 2013, p.508)). The second study shows, that especially geographical aspects have a big influence on collaborative work within Enterprise Crowdfunding. Geographical aspects are only one aspect of the different facets, which separate or connect people to each other (cf. (Muller et al. 2014, p.787)). When considering these results, it has to be mentioned, that the studied platform was tailored to IBM-specific needs. According to that, the results can't be interpreted as fundamental.

For developing a concept for an Enterprise Crowdfunding platform, it is necessary to analyze enterprise-specific needs, to deduce valuable requirements. Within this paper the idea of using crowdfunding techniques to identify, develop and finance internal projects is examined in context of heterogenic enterprise environments. The various considered companies distinguish themselves regarding to their industries, business portfolios and their number of employees. Overall seven interviews with different company representative were conducted, to detect the company's needs. The following interviews have been conducted within this study:

- Interview: Mobility manager of a car dealer group with five locations and overall approx. 250 employees.
- Interview: Managing director of a big energy transition project of one of Germany's largest energy providers with over 9.000 employees.
- Interview: Chief information officer (CIO) of a consultancy firm with approx. 1.600 employees.
- Interview: Business consultant with focus on management systems.
- Interview: Chief financial officer (CFO) of a global tour operator with focus on business travel management an overall approx. 12.000 employees.

- Interview: Chief executive officer (CEO) of an industrial company with global reach and over 2.200 employees.
- Interview: Data processing manager of German industrial company with approx. 400 employees.

Hereby it can be ensured, that the developed concept gets a generic character and won't get a specific focus. The criteria for the assortment of the interview partners were a comprehensive knowledge and plenty of experience in internal processes as well as a great management competence. The survey of employees is already made by the study of IBM and will be supplemented by a practice example within this paper.

Following the interviews, one of the main benefits from the usage of Enterprise Crowdfunding systems is the increased transparency over project proposals and running projects. Furthermore a great improvement of decision-quality can be expected. The increased transparency leads to even more positive effects, as the identification of potential stakeholder inside the company and the finding of suitable funding partners. Across a structured crowdfunding process it can be ensured, that all project proposals passed through a process which causes decision making against a highly valuable information-background. The interviews also show, that as many employees as possible should have access to the Enterprise Crowdfunding platform, to generate as much benefit as possible. The interview partner emphasized, that there have to be incentives which address individual and common advantages (cf. (Muller, Geyer, Soule & Daniels 2013)).

After identifying the requirements the following process could get worked out (see Figure 1). The first phase of the Enterprise Crowdfunding process is Preparation Phase. In this phase the project initiator has the opportunity to describe his idea, the expected benefits and the specific goals. In the following Review Phase the project contents gets reviewed regarding to its integrity, its accordance to the strategic company goals as well as to its legal aspects and conditions. The review will be done mainly by special departments, such as executive, corporate or central departments. Within the Start Phase the project can't be financed yet. The Start Phase has the goal to collect feedback, improve the project contents and its representation by collaborating with as many employees as possible. The participation of various individuals allows that lots of knowledge is accessible and different point of views can be used. In the following Crowdfunding Phase the financiers can support the project with an arbitrary amount of their budget.

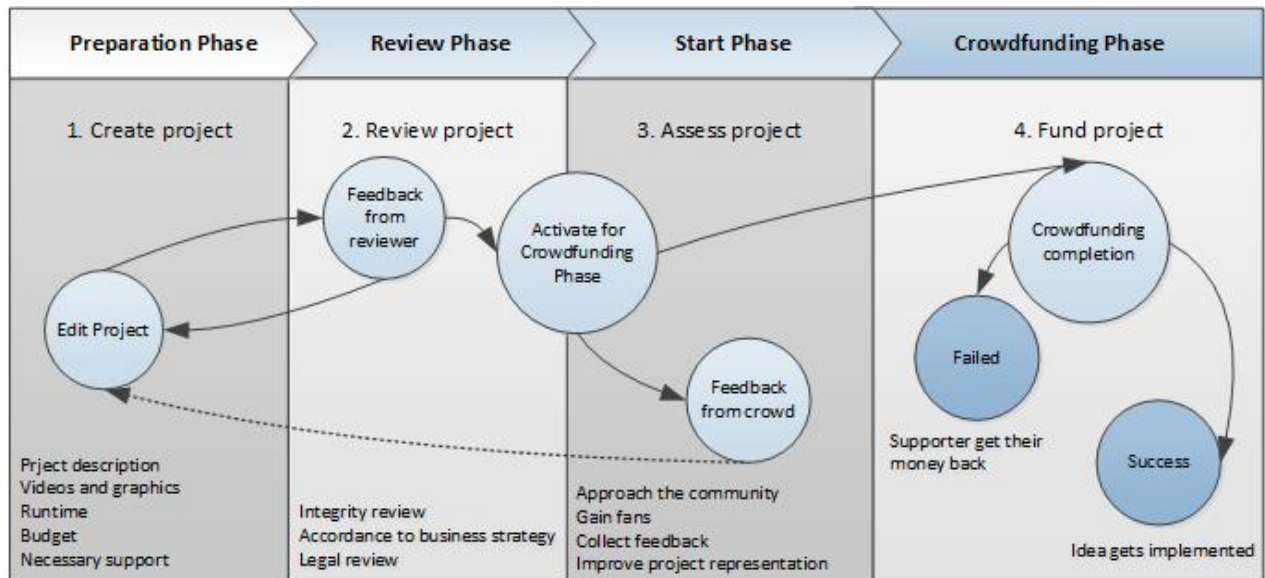


Figure 1: Enterprise Crowdfunding process, ref.: own illustration

The financial support in crowdfunding systems can be put on a level with the rating which is given in Idea Management Systems (“IMS”). After the rating in IMS is completed there are still difficulties in the decision making process (cf. (Muller, Geyer, Soule, Daniels, et al. 2013, p.504)). Crowdfunding platforms don’t require a special intermediation and an explicit decision because the decision is made automatically as direct consequence of the funding-amount.

4. Conclusions and Future Research

Employee idea systems, the identification of stakeholders and a comprehensive decision making support have been identified as essential fields of application for Enterprise Crowdfunding. The identification of the target group showed, that Enterprise Crowdfunding systems are especially qualified for large organizations with an intense segmented organizational structure. The main differences to crowdfunding in the private sector are limited on administrative activities for the user management, the payment system and some minor process changes. Enterprise Crowdfunding is in comparison to the private crowdfunding more focused on creation and development of the project proposal as well as all related activities. These include the improvement of transparency of the project proposals, to address as many stakeholders in the company as possible and integrate them to the process. Concluding it is shown, that the introduced Enterprise Crowdfunding concept has the ability, to successfully support the funding of internal projects. It became clear that many problem areas, which lead to problems within the planning and implementation of internal projects in especially large companies, can be solved by the shown solution. Above the research focus of this paper there are quite interesting research aspects. For example Enterprise Crowdfunding could be spread over the company boundaries. Thus project proposals could be discussed and implemented together with customers and suppliers. Besides, it would be interesting to prove, how far employees could invest their private capital to the companies projects.

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