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Crowdfunding Through a Partial Organization Lens: The Co-dependent Organization

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Abstract: Crowdfunding has become a rapidly growing source of alternative financing for a wide range of products and service ideas. The crowdfunding process itself necessitates the successful interaction between a number of actors including the central organizing platform, a number of content providing campaigns, and a large diverse group of funders. By utilizing the literature on complete and partial organizations and rejecting the commonly applied organizational molds to describe the process, this paper proposes that crowdfunding is organized and enabled as a fluid and co-dependent interaction between the various actors. The concept of partial organizations and its emphasis on key organizational decisions reveal that crowdfunding may be conceived of as a “co-dependent organization” in which the relationship of the involved actors is so interdependent that the crowdfunding process can neither be maintained nor implemented without it.

1 INTRODUCTION

Crowdfunding represents a growing source of alternative financing for a variety of both for- and non-profit ventures that have been described as changing “how, why, and which ideas are brought into existence” (Gerber & Hui 2013, p.1). The crowdfunding process itself is characterized by the successful interaction between a facilitating organization (or *platform*), a variety of *campaign founders* who seek financial support for their ideas and ventures, and a large dispersed “crowd” of individuals (“*crowdfunders*”) who are enticed to invest, pledge, lend, or donate money toward these ideas and ventures. The process relies on its ability to make strangers support strangers for causes, products, or services that have not yet been realized and of which they have little direct oversight or control. Despite this apparent hurdle, crowdfunding has nevertheless emerged as an increasingly common source of finance for entrepreneurial (and other) projects seeking capital (Sorenson et al. 2016).

To understand the success of crowdfunding, a growing pool of literature has emerged, which has sought to uncover the antecedents behind the success of crowdfunding. However, while these papers offer strong empirical and phenomenon-derived insights (Moritz & Block 2014), our theoretical understanding of the phenomenon itself has lagged behind (Mollick 2014). The organization of crowdfunding, for example, remains especially contested and a host of organizational terms – including “network” (Ordanini et al. 2011), “community” (Mollick 2016), “market” (Lin & Viswanathan 2015), and “organization” (Valančienė & Jegelevičiūtė 2014) – are often interchangeably used to describe the crowdfunding process (Tomczak & Brem 2013).

This paper proposes that while the application of each of these organizational forms has its merits, it nonetheless fails to fully grasp and describe the organization of the crowdfunding process. Instead, a greater understanding of how crowdfunding is organized can be achieved by considering the very elements (or decisions) that make up the organization of the process rather than seeking to fit crowdfunding into a pre-existing organizational mold. For this very reason, this paper utilizes the theoretical concepts of “complete and partial organizations” (Ahrne & Brunsson 2011; Ahrne et al. 2016) in proposing a conceptualized model of how the crowdfunding process is organized. In doing so, decisions are regarded as the core elements for maintaining a decided social order that can reflect both formal organizations but also social orders, which might not reflect complete or formal organizations (ibid). The application of the

partial organization concept by Ahrne et al. (2017) thus allows us to capture the fluidity and boundary-crossing nature of the crowdfunding process; something that has eluded the aforementioned scholarly efforts to describe the organizational nature of crowdfunding.

The lack of theory on this novel form of financing is therefore where this paper seeks to make its primary contributions. Applying organization theory – specifically the concept of partial organization – to illustrate how organization theory can be applied to address new forms of organizing and organizational collectives (see Walsh et al. 2006; Kostera & Kociatkiewicz 2014). First, this paper reveals that the crowdfunding process appears to inhabit multiple organizational molds simultaneously – network, community, market, and organization – and thus appears polymorphic in nature (see Comas et al. 2015). Each of these organizational molds succeeds in explaining the organizational aspects of the crowdfunding process but fails to explain it in its entirety. This paper therefore points to the need for an alternative approach – as that of Ahrne et al. (2016; 2017) – in which the elements or decisions that create organizations (i.e., decided social orders) take center stage rather than creating new or adapting old organizational molds to suit this new phenomenon. Second, this paper contributes directly to the crowdfunding literature by proposing a conceptualized understanding of how organizational theory may offer insights into the organization of the crowdfunding process while providing a vocabulary for understanding the diversity of ways in which the respective actors within the process navigate and coordinate. Finally, this paper seeks to demonstrate the value that the concept of partial organization can have for organizational studies by highlighting its usefulness in understanding emergent forms of organizing, such as crowdfunding. In doing so, this paper also proposes certain amendments to the partial organization concept in regard to the five decisions (i.e., rules, hierarchy, membership, monitoring, and sanctioning), which shape the decided social order of the crowdfunding process, highlighting that there is a need to flesh out the five respective decisions so that we can account for different variations in, for example, membership. The implication is that the decisions on, for example, membership are not just binary but can take on a variety of shapes from clear in-or-out membership to degrees of membership.

The emergence of this form of co-dependent organizing offers an interesting case not only for organization scholars but also for the management field at large as the platform economy matures and becomes an ever more present form of organizing (Harvard Business Review 2016). The platform economy presenting a series of interesting dilemmas including questions

of responsibility and ownership as platforms typically attempts to adopt a shroud of utilitarian function in which they are not an actor but rather the facilitating mechanisms of a process. This means that agency and responsibility rest with and between the users of the platform. However, if, for instance, a hosted campaign was later revealed to have employed child labor in the production of the crowdfunded product, can the platform still ethically pledge itself excused of responsibility?

This paper is structured as follows: First, the paper seeks to introduce the reader to the phenomenon of crowdfunding before proceeding to introduce the concept of complete and partial organizations as set-out by Ahrne et al. (2016; 2017). Section 3 will thereafter seek to summarize previous scholarly attempts to define the organization of the crowdfunding process revealing both the respective strengths and ultimate weakness of the four organizational molds previously noted. Finally, the paper addresses how the concept of partial organization can allow for an improved understanding of the crowdfunding process, i.e., by following the particular decisions that necessitate its organization. The paper discusses and concludes on the usefulness of the partial organization concept in addressing the crowdfunding phenomenon in addition to proposing certain amendments to the concept of partial organization that could benefit its application.

2 BACKGROUND

While we may conceive the larger phenomenon of crowdfunding (the agglomeration of all crowdfunding platforms) as an emerging marketplace, this paper proposes that the interaction between a single crowdfunding platform and its respective campaign founders and crowdfunders is a form of organizing that in some respects reflects a single entity. This notion of a larger single entity is also reflected in how platforms often refer to themselves as a community rather than a single business (Indiegogo 2016; Kickstarter 2016; Invesdor 2017). In line with the existing crowdfunding literature (and practice), the crowdfunding process is thus seen as a symbiotic relationship between platform, campaign founders, and crowdfunders (Gerber & Hui 2013). Furthermore, this paper argues that this symbiotic relationship is also characterized by a co-dependence in which the boundaries between the respective actors within the crowdfunding process become not only blurred but also obscured to the point at which the three respective actors start to carry out key organizational functions for each other. As opposed to similar circumstances where organizations engage with external parties or partial

organizations – committing to an agreed-upon standard (Brunsson et al. 2012) or utilizing crowd knowledge (Afuah & Tucci 2012) – this paper argues that a crowdfunding platform cannot disengage from the external parties (i.e., campaign founders and crowdfunders) without compromising its ability to function and maintain itself.

2.1 What is crowdfunding?

Despite variations within the emerging literature, crowdfunding is at its core conceived as an open call for monetary investments facilitated by the Internet, a call that seeks to engage interested parties in donating, pre-purchasing, lending, or investing in a specific project or venture (Belleflamme et al. 2014). Although feasible without intermediary support, crowdfunding is increasingly enabled by platforms (such as Indiegogo and Kickstarter) that act as facilitators of the crowdfunding process in exchange for a commission (Mollick 2014). Hence, when seeking to characterize crowdfunding, the existing literature often subdivides the crowdfunding process into four models depending on the nature of the funding: a differentiation between donation, reward, equity, and lending-based approaches (Cholakova & Clarysse 2015).

Table 1. The four models of crowdfunding

[INSERT TABLE 1 HERE]

The three principal “actors” of the crowdfunding process are identified as the campaign founders, platform, and crowdfunders. The campaign founders are the creators of an idea, product, or service and those who initiate a crowdfunding campaign in efforts to gain “direct access to the market and [...] gather financial support from truly interested supporters” (Ordanini et al. 2011, pp.444–445). The platform, in turn, broadly serves as the central organizing actor for the crowdfunding process by displaying a diverse number of campaign founders, providing a categorized overview, and presenting the top trending campaigns. Finally, crowdfunders are the target audience and represent a diversity of individuals who are enticed to support a given campaign founder.

Given the novelty of the field there is – at this time of writing – no singular comprehensive definition of crowdfunding (Mollick 2014). The existing research on crowdfunding can further primarily be characterized as a phenomenon-driven approach and has therefore focused on “developing a definition and description as well as a differentiation to related subjects and

concepts” (Moritz & Block 2014). Given this phenomenon-driven approach, the current research often emphasizes a particular model of crowdfunding and the antecedents of funding success (see, e.g., Mollick 2014; Xu et al. 2014; Moss et al. 2015; Lin & Viswanathan 2015). While greatly advancing our understanding of crowdfunding, such research arguably leads to an instrumental understanding of the phenomena in which it is perceived as a stable or static component of actors and models rather than a fluid ongoing process. However, this paper argues that if we reflect on crowdfunding more deeply, its fluid and interdependent nature becomes more apparent. Doing so will furthermore bring the challenges of conducting a broader theoretically conceptualization of the phenomenon to the forefront. It is, for instance, difficult to identify the boundaries of the formal organization of crowdfunding: While one could argue that the formal organization of crowdfunding is only the platform itself (e.g., Indiegogo), this perspective would presuppose that the platform carries out its organizational functions independently from or without the other noted actors (campaign founders or crowdfunders), something which it cannot. The platform is reliant on the campaign founders for creating the content on which it relies and both campaign founders and platforms are, in turn, reliant on crowdfunders to support the imagined¹ goods or services, disseminate and market it, and provide feedback (Schwienbacher & Larralde 2012; Valančienė & Jegelevičiūtė 2014). This is also reflected in Indiegogo’s characterization of their business model as “Dream it. Fund it. Make it. Ship it.” (Indiegogo 2016) or Kickstarter’s warning to prospective crowdfunders, which notes that crowdfunders “aren’t buying things that already exist — they’re helping to create new things. Some projects will go wonderfully, and others will run into obstacles. Be prepared for a little bit of each.” (Kickstarter 2017e). The implication here is that a crowdfunding process commences before a physical product or service exists or is fully designed. Furthermore, crowdfunders are invited to take on a significant role in enabling these ideas.

Drawing on the literature on user innovation and open innovation (see von Hippel et al. 2011; West & Bogers 2014), crowdfunding could thus be said to exist at the intersection between Chesbrough’s (2011; 2014) work on open innovation – centering on “firms co-operating across firm boundaries to create and commercialize innovations” (Bogers & West 2012, p.61) – and von Hippel’s focus on the roles of users in driving innovation (von Hippel 1988). These

¹ Crowdfunders are typically asked to donate, pre-purchase, lend, or invest in a product idea or service depending on a provided profile of how the given product or service is expected to look. The paper thus refers to this state as an imagined good or service.

“distributed models” of innovation are characterized by the fact that organizations increasingly turn to external sources of knowledge (and resources) as the drivers of innovation (Bogers & West 2012; 2014). Distributed models of innovation thus also imply a greater co-dependence between actors because important organizational competences are licensed out to external actors (Chesbrough et al. 2014). As will be detailed in Chapter 4, this is especially prevalent within crowdfunding as the campaign founders provide the content for the framework set out by the platform and the users (crowdfunders) enable this content through their support.

3 THEORY

In recent years, there has been a budding debate about what constitutes an organization. Among other things, this debate has resulted in the emergence of new forms of organizations, conceptualizations that challenge the existing notions of “fixed” organizations with terms such as “fluid” (Schreyögg & Sydow 2010) or “liquid” (Kostera & Kociatkiewicz 2014) organizations. The recent literature on hacker collectives (Dobusch & Schoeneborn 2015) and online communities (Puranam et al. 2014) explore, for instance, how these organizational forms are able to exist without closed boundaries or clear memberships. As a result of these and other studies, some scholars suggested (e.g., Ashkenas et al. 2002) that we ought to broaden our understanding of what constitutes an “organization” to also include loose “boundaryless” social constellations. However, other scholars assumed a more critical position toward this broadened – and arguably less clear – definition of organizations and argued that this conceptualization fails to differentiate between social collectives (e.g., communities and networks) and organizations (Sillince 2010). Moreover, in line with the observations by Dobusch & Schoeneborn (2015), this paper argues that a split or binary classification of social collectives has emerged within the existing literature in which these social collectives are either viewed as an organization or non-organization. Similar to the academic literature focusing on new and emerging forms of organizing (e.g., Schreyögg & Sydow 2010; Kostera & Kociatkiewicz 2014), this paper argues that while conceptually useful, this dichotomy – organization versus non-organization – creates significant issues when one seeks to understand the organizational nature of crowdfunding. To overcome this dichotomy, this paper instead proposes to apply the literature on “partial organizations” (Ahrne & Brunsson 2011; Ahrne et al. 2016), which allows for the conceptualization of organizational activities that occur beyond the realm of “complete” organizations.

3.1 Complete and partial organizations

In seeking to better understand the new and emerging forms of organizational activities, a number of scholars are increasingly working toward a broader understanding of organizations, which may allow for a more versatile use of the existing organizational theories (Ahrne et al. 2016). In line with this literature, organization in this paper is defined as a “decided order”, which in its complete state consists of five elements: membership, hierarchy, rules, monitoring, and sanctions (Ahrne & Brunsson 2011). Building on the work of Luhmann (2003), a complete organization may therefore be regarded as a collection of elements, which – if present – create the necessary conditions for “interconnected communications of decision-making that take place on behalf of a collective” (Dobusch & Schoeneborn 2015). Ahrne and Brunsson (2011) proposed that the presence of the five aforementioned elements (see also below) are necessary if a “decided order” is to be conceived of as a complete organization (Ahrne et al. 2016):

- i. *Decisions on Membership* define who is and is not a member of the organization and thus demarks the interaction between participants as they now recognize the involved and uninvolved parties.
- ii. *Decisions on Hierarchy* define the roles of the individual members in terms of who has the initiative and power within an organization (through decisions about which decisions are binding).
- iii. *Decisions on Rules* are the organizationally created parameters for the members, their actions, and behaviors in effort to create a shared understanding about goals, means, and decisions.
- iv. *Decisions on Monitoring* include, for example, financial and management accounting systems that not only insure compliance with the organizational commands and rules but also measure how well members perform.
- v. *Decisions on Sanctions* are enforced to reward and punish member’s behaviors through, for example, promotions or salary cuts.

Partial organizations are “decided orders” similar to complete organizations, but the important distinguishing feature is that partial organizations lack one or more of these five elements. Hence, a partial organization is organized but cannot be defined as a “complete” organization. An everyday example of a partial organization is, for instance, customer clubs, which are membership driven, but otherwise the partial organization lacks the elements that define complete organizations. Partial organizations are typically organized activities, which have been initiated by a (complete) organization to establish networks and thereby “obtain better

control over and predictability in their contacts with people in these networks” (Ahrne & Brunsson 2011). Partial organizations thus emerge in various contexts, as this organizational form does not require all five elements of complete organizations to function and therefore demands less effort to maintain the organization as compared to complete organizations (Ahrne et al. 2016).

In pursuing a conceptualization of the crowdfunding process, this paper seeks to provide an integrated framework on how we can better conceive of the crowdfunding process by utilizing the work of Ahrne and Brunsson (2011) on partial organizations. Gilson and Goldberg (2015, p.127) proposed that conceptual papers “should provide an integration of literatures, offer an integrated framework, provide value added, and highlight directions for future inquiry” but are not expected to offer empirical data. The onus is thus on “creating logical and complete arguments for associations rather than testing them empirically” (Gilson & Goldberg 2015, p.127). The empirical grounding of this paper is thus a selective subset of literature on crowdfunding that touches upon its organization and practical examples from existing platforms (Indiegogo and Kickstarter) to exemplify the argued applicability of the partial organization framework.

4 CROWDFUNDING: NETWORK, COMMUNITY, MARKET, AND ORGANIZATION

While theorizing on the organization of crowdfunding remains rare, the emergent crowdfunding literature has nonetheless sought to place crowdfunding within a number of organizational molds. The most pronounced examples hereof include the reference to crowdfunding as a network, a community, a market, and – in rarer cases – as an organization. The following section analyzes each of these examples with particular attention to their respective strengths and weaknesses. Similar to the earlier work on terrorism by Comas et al. (2015), this paper proposes that crowdfunding can inhabit various organizational molds. In contrast to their analyses, however, this paper holds that these forms of organizing only explain aspects of the overall process. Where Comas et al. (2015) found that terrorism is polymorphic in nature and can consequently inhabit a diversity of organizational molds, this paper finds that if either of the noted forms of organizing was applied individually, this would lead to reductionist interpretation of the crowdfunding process. Table 2 provides an initial overview of the major strengths and weaknesses of each of the four respective forms of organization.

Table 2. Crowdfunding as a network, community, market, or organization

[INSERT TABLE 2 HERE]

4.1 Crowdfunding as a Network

Within this particular branch of literature, the process of crowdfunding is often depicted as a form of network that is enabled through peer-to-peer social networks (see Bruton et al. 2015; Hörisch 2015) in which “set[s] of actors are connected by a set of ties” (Borgatti & Foster 2003a, p.992). The network mold is useful in explaining how campaign founders and platforms mobilize and organize support from a range of individuals and further harness those individuals’ social network to disseminate and fund the given campaigns (Schwienbacher & Larralde 2012). In addition, the social networks of the supporting individuals serve to enable peer-screening and thus prevent fraudulent campaigns (Sun & Im 2015). However, while network as a form of organizing effectively explains these interactions, it accounts for neither the organizations (platform and campaign founders) at the heart of the process nor the blurred boundaries that arise between the organization and its users. In effect, the network organizational mold explains the interaction between actors of the crowdfunding process but fails to adequately account for the actors themselves.

This paper argues that while collective action is enabled through “fluid social networks” (e.g., Bennett & Segerberg 2012), it also holds that the “infrastructure[s] that allow for the emergence of similarly oriented individual actions and resulting collective behaviour” (Dolata & Schrape 2016, p.5) depends on the infrastructure provided by the given organization. Hence, in the case of crowdfunding, the platform defines the parameters for the collective behavior through its implemented infrastructure. For example, the ability to share, comment, support, and finance a given crowdfunding campaign requires an infrastructure that is highly complex and costly and thus requires a degree of organizing that goes beyond what we could reasonably call a network. The success of platforms in enabling crowdfunding is based on their organizational capacities to create mechanisms for insuring the successful interaction between campaign founders and crowdfunders. Similarly, the success of a campaign founder relies on its ability to deliver on promised products or services, which requires a high degree of coordination and organization that goes beyond those of a network. This is also reflected in practice by the fact that the

majority of campaign founders consist of small entrepreneurial teams and not individual persons (Mollick 2014).

4.2 Crowdfunding as a Community

Both within the literature (see Mollick 2016) and especially in practice, crowdfunding platforms often refer to themselves as communities (Indiegogo 2016; Kickstarter 2016). The prevalence of this organizational mold within the crowdfunding research is often based on observations that crowdfunders support a diversity of campaigns for reasons that go beyond extrinsic rewards and instead relate to a sense of belonging (Gerber & Hui 2013; Belleflamme et al. 2014). In practice, this is exemplified by the fact that individual crowdfunders often share details regarding the campaign in social media – thus actively promoting it – and even engage with the founders of the campaign.

The notion of community is also reflected in the idea that crowdfunders enable or co-create ideas, as exemplified by Indiegogo’s mission to “empower people to unite around ideas that matter to them and together make those ideas come to life” (Indiegogo 2017a). Crowdfunders themselves also often express this notion of community and thus hold campaign founders to a high standard; a standard that is especially expressed if they feel unfairly treated by campaign founders. The following quote by a crowdfunder exemplifies this: He is upset that the campaign founders appear to favor delivering their products to a newly established business partnership over the original backers.

Your 1st responsibility is towards your INVESTORS!!!! You would not exist without our funding. Show proof that [anonymized business] was a ground level investor. If they were not you have used us for your own gain. I purchased my mugs over a year ago and we still wait.

(Indiegogo 2017b)

Crowdfunding has thus been proposed to represent a community wherein groups of people deliberately connect through a shared purpose or objective rather than, for example, geographical or friendship ties (Adler 1992; Dolata & Schrape 2016). However, while crowdfunding for some is certainly founded upon notions that go beyond simple seller/buyer interactions, a sense of community is not a necessity for predicting a person’s willingness to

support a given campaign (Colombo et al. 2014). Hence, communities may to some degree exist, but for a diversity of crowdfunders and campaign founders, the reasons for supporting and hosting campaigns are driven by extrinsic motivations (financial or other) rather than an intrinsic sense of community. In addition and similar to networks, communities denote a lack of permanent organization and instead emerge through the coordination and collaboration of a number of individuals who are brought together by common interests. Examples hereof are communities of practice (Wegner 1998) organized around similar (professional) tasks or brand communities (Fournier & Lee 2009) organized around a brand. As opposed to this, campaign founders – while seeking to engage crowdfunder support – arguably do not reach the same level of engagement or reciprocity as seen within, for example, open source communities. Most crowdfunders support campaigns through monetary means and some through sharing, marketing, and feedback-based actions. However, a crowdfunder would rarely actively, for instance, code for a given campaign nor would founders freely reveal that code. Finally, the interaction between campaign founders and platform can barely be regarded as based on a sense of community as there are explicit rules of conduct and membership structures set forth by the platforms.

4.3 Crowdfunding as a Market

A third common way of approaching the organization of the crowdfunding process is to view it through the lens of a market in which the crowdfunding platform acts as a middleman between “buyers” (funders) and “sellers” (campaign founders) by minimizing the transaction costs between them (Lin & Viswanathan 2015; Agrawal et al. 2015). Crowdfunding platforms may therefore be conceived of as “profiteers” who “participate in market organization in order to further their own economic interests [...] though the organization of the primary market” (Ahrne et al. 2015, p.14). Online auction houses and other platforms for organized e-commerce (e.g., eBay) are all examples of such profiteers. The notion of a market effectively explains both the demand and supply mechanics that happen between campaign founders and crowdfunders in addition to providing a means through which we can understand the motivations of the platforms for hosting the campaigns: The platform is driven by an economic logic of maximizing the number of successful campaigns, so that it can increase its revenue obtained through the fees on successful funding by the respective campaigns (such fees are typically between 4 and 5 pct. of the total amount raised). Hence, the interaction between a single crowdfunding platform and its respective campaign founders (sellers) and crowdfunders (buyers) could be conceived of as a market microcosm with the total number of sellers and

buyers representing its boundaries. The price, value, and costs of items traded are thus guided by the supply and demand within that market. In addition, the concept of market also helps to explain the non-recurring nature of the interaction between crowdfunding campaigns and the respective platform that appears to lack consistent and stable patterns of interaction associated with, for example, organizations.

However, in conceiving the crowdfunding process as purely or even primarily a market, we diminish both the role that formal organization(s) play in defining the parameters for how that market is shaped and the roles that buyers (crowdfunders) play in enabling sellers (campaign founders). First and as previously noted, in creating the infrastructures that dictate the interactions between campaign founders and crowdfunders, the platforms also – to a degree at least – dictate the shape and size of the given market. Additionally, while all markets are certainly defined by the organizations and individuals that inhabit them, the crowdfunding process has a singular organization that defines the rules of interaction (i.e., the platform), which renders it quite ill-advised to ignore the role of these formal organizations in defining both practice and organization. A change in policy by a platform may thus affect the whole market unequivocally and while there may be push-back and campaign founders who seek out alternative platforms, the power of a single organization to shape the interaction between campaign founders and crowdfunders make the formal organization of this process difficult to ignore. Second, the crowdfunding process represents a distributed innovation model that blurs the boundaries between buyers and sellers. While a traditional market is characterized by the passive involvement of buyers in purchasing already existing products or services (see Bogers et al. 2010), the crowdfunding process requires active and early buyer involvement already in the ideation phase of the sellers' innovation process. The crowdfunder is thus actively engaged in enabling product or service innovation rather than taking on the more passive role of purchasing existing products or services. This active role requires both an interest in the given product or service and a willingness to trust that campaign founders can and will deliver on their promises. From a business cycle perspective, the buyer is therefore active in and fundamental to the development of the product or service, while within traditional business models, the products or services come into existence without direct buyer engagement. The active participation of crowdfunders often leads to groups and even communities emerging around certain campaigns or platforms (Mollick 2016); therefore, while labeling the crowdfunding process, a community may overstate the intrinsic motivations of participation,

labeling it a market arguably in reverse overstates the extrinsic motivations while ignoring other aspects of the process.

4.4 Crowdfunding as an organization

The fourth and final organizational mold – which is also the least employed by the literature – is crowdfunding as an organization. Within this perspective, crowdfunding platforms and campaign founders are viewed as organizations that together work in what can most closely be described as an exchange between semi-autonomous organizations (Bruton et al. 2015; Corazzini et al. 2015; Vasileiadou et al. 2016). Of much relevance hereto is the notion of network organizations (Baker & Faulkner 2002; Provan et al. 2007), which are “characterized by repetitive exchanges among semi-autonomous organizations that rely on trust and embedded social relationships to protect transactions and reduce costs” (Borgatti & Foster 2003b, p.995).

In focusing on the respective organization(s) within the crowdfunding process, studies are able to reveal how variations in organizational capabilities affect the way in which the crowdfunding process is organized. An example hereof is how crowdfunding platforms increasingly “reconfigure their activities to use social media to solicit contributions and match investors with entrepreneurs” (Bruton et al. 2015). In doing so, these organizational capacities are able to manipulate the types of individuals attracted to the respective platforms. While a focus on individual organizations remains fairly uncommon within the crowdfunding literature, it may nevertheless provide significant insights into how different organizational designs yield different results. Drawing on the crowdsourcing literature, Füller et al. (2012) found, for instance, that differences in the incentives offered for partaking in crowdsourcing resulted in significantly different contribution behavior. Hence, while it remains rare to focus on organizations such as Kickstarter or Indiegogo and how, for example, their respective provided infrastructure shapes the crowdfunding process, the potential affect nonetheless seems relevant to explore.

However unavoidable the organization of the crowdfunding process appears to be, there are also aspects hereof that go beyond organization. First, the crowdfunders themselves are individuals who coordinate and cluster but cannot be said to form an actual organization. In applying the concept of organization to explain crowdfunding, we thus run the risk of losing sight of the actors and how they organize. Furthermore, the interaction between platform and campaign founders is typically neither repetitive nor based on a social relationship between the

two. Rather, interactions between platform and campaign founders rely on legal Terms of Use contracts (see, for example, Kickstarter 2017), and peer-screening performed by crowdfunders are used in efforts to minimize the occurrence of fraudulence (Ibrahim & Verliyantina 2012; Sun & Im 2015). Finally, this paper proposes that the exchange between platforms and campaign founders is not akin to semi-autonomous organizations but is rather a relationship of co-dependence. While interactions between autonomous organizations can end without compromising the respective organizations, the crowdfunding process is reliant on the continuous and embedded interactions between the three actors: platform, founders, and funders. This blurs the boundaries between the organization and its users, as exemplified by the platforms' reliance on crowdfunders to peer-screen campaigns (Sun & Im 2015), the campaign founders' reliance on platform infrastructure to facilitate interaction and trust in the process (Scott 2015), and the platforms' reliance on campaign founders to provide its content (Gerber & Hui 2013).

5 CROWDFUNDING AS A DECIDED SOCIAL ORDER

As illustrated above, the literature on crowdfunding reveals a tendency – intentionally or not – toward conceiving the crowdfunding process as examples of an (or even multiple) organizational mold(s). In the previous chapter, this paper thus sought to highlight the respective strengths and weaknesses in applying these respective forms of organizing to the crowdfunding process. In order to escape the need to place crowdfunding within certain organizational mold this paper argues that we would be better served if we focused on the particular decisions that are necessary for maintaining the decided social order of the processes, that is, to focus on the decisions carried out by all of the respective actors within the process, which help maintain the symbiotic and argued co-dependent structure that characterizes the crowdfunding process. In doing so, crowdfunding may be regarded as a relationship of co-dependent actors with various degrees of organization who come together to form “common patterns of behaviour [...] with some stability over time creating predictability and facilitating interaction among people and organizations” (Ahrne & Brunsson 2011, p.89). Hence, while the campaign founders and crowdfunders may change their respective roles, the decisions they make remain the same.

To illustrate this, the following subsection will draw on the crowdfunding platform Kickstarter in efforts to exemplify how the respective decisions of these actors help maintain the

crowdfunding process. This paper will note the decisions that the respective actors make on behalf of themselves when relevant but will primarily focus on decisions that cross boundaries and create the argued co-dependent structure of the crowdfunding process.

5.1 Platform

The crowdfunding platform is an increasingly common actor and is often conceived of as the facilitating agent of the process by associating founder campaigns with a diverse group of potential funders (Mollick 2014). While crowdfunding can take place outside these platforms – through, for example, independent websites or e-mail investment calls – it is increasingly managed by platforms such as Kickstarter, Indiegogo, or Prosper (Castillo et al. 2014). As mentioned, this particular section will focus on the platform Kickstarter, which is a reward-based platform and currently the largest crowdfunding platform in existence (Mollick 2014; Vasileiadou et al. 2016).

Kickstarter represents the gravitational center, which the various founder campaigns and crowdfunders cluster around. Located in Brooklyn, New York, with 127 employees, Kickstarter thus represents a complete organization with clear decisions on membership, hierarchy, rules, monitoring, and sanctions (Ahrne & Brunsson 2011). Kickstarter has a distinct office space with a clearly demarcated boundary in which membership (i.e., employment) is defined by legal contracts. This includes a clear hierarchy with both junior and senior positions, defined rules on goals and means, and parameters for individual decision-making and appropriate conduct. Finally, platforms such as Kickstarter have mechanisms in place that enable the monitoring of a range of employee specificities (e.g., performance and employee satisfaction) and a range of sanctioning possibilities. However, despite the platform's complete organizational nature, it is functionally co-dependent on its ability to facilitate a critical amount of interaction between crowdfunders and campaign founders. In other words, platforms require founder campaigns to deliver the “inventive ideas” and “creative projects,” which are essentially the cornerstones of their enterprise (Kickstarter 2016). This may explain why Kickstarter refers to itself as a community and perceives its role as one of helping “artists, musicians, filmmakers, designers, and other creators find the resources and support they need to make their ideas a reality” (Kickstarter 2016). The subsequent boundaries for membership – defined by Ahrne (1994) as those who are allowed to join an organization as either employee, citizen, or member of an association – thus becomes tiered as the various actors (both internal and external) contribute to the functioning of the crowdfunding process and thereby the

platform. Kickstarter provides the framework and necessary infrastructure to facilitate the process, but it is the campaign founders who are responsible for providing the actual content. In the case of crowdfunding, there are therefore both formal organizational boundaries – defined by the platform’s internal operations – and what can be characterized as a partial boundary² – that encompass the campaigns hosted by the platform – at play.

To maintain this co-dependence and partial boundary between platform and campaign founders, Kickstarter makes a number of decisions regarding the nature of this interaction, namely, decisions regarding membership, rules, sanctions, and small degree monitoring. First, membership is dependent on the campaign founders’ acceptance of a number of binding rules including Terms of Use, Privacy Policy, and “any other rules on the site, like our Community Guidelines and rules for starting projects” (Kickstarter 2017c). Kickstarter further reserves the “right to reject, cancel, interrupt, remove, or suspend any project at any time and for any reason” (ibid). Through – and beyond – its rules, Kickstarter therefore defines the parameters of membership. This ability to reject, cancel, interrupt, remove, and suspend campaigns also represents Kickstarter’s primary means of enforcing negative sanctions, while positive sanctions include promoting certain campaigns. In terms of monitoring campaigns, Kickstarter relies first on preventive measures such as verifying the IDs of campaign founders, second on algorithms designed to detect fraud, and third and primarily on peer-screening by the crowd (Barasinska & Schäfer 2014). Peer screening refers to the use of both potential funders and founders to check, critique, and even report campaigns whom they identify as or suspect of being fraudulent (Sun & Im 2015). Hence, while Kickstarter employs a number of preventative measures, the core monitoring task is arguably left to the crowd with little involvement from Kickstarter other than to review the cases, which are brought to their attention. In addition, Kickstarter explicitly has no hierarchical powers in terms of dictating campaign founders and therefore has no initiative or power to affect changes within its hosted campaigns (Kickstarter 2017e). To maintain the partial boundary between Kickstarter and its hosted campaigns, the platform thus exercises decisions regarding membership, rules, and sanctioning but deliberately chooses not to implement hierarchical decisions. It likewise refrains from monitoring campaigns, aside from the aforementioned fraud preventive efforts. The absence of these two decisions is most likely in place so that Kickstarter can deny responsibility for the

² Partial boundary reflecting the fact looser association between the platform and its hosted campaigns versus the platforms more strictly defined boundaries around itself and its employees for example.

failure of any given campaign and may thus avoid any legal ramifications, as illustrated by Kickstarter’s own policy that the campaign “creators are responsible for their projects. When you back a project, you’re trusting the creator to do a good job, so if you don’t know them personally or by reputation, do a little research first. Kickstarter doesn’t evaluate a project’s claims, resolve disputes, or offer refunds -*backers* decide what’s worth funding and what’s not” (Kickstarter 2017e).

Finally, there is the diffuse “crowd” of funders which the platform engages through what can be likened to a communal approach to consumption, in which users are encouraged to participate in the digital interactions of a given brand or platform (see Cova & Pace 2006; Miller et al. 2009). Funders thus engage in the crowdfunding process for various reasons including supporting the projects of their friends, people whom they have long admired, or simply just a new idea. Others are inspired to support projects for their perspective product idea advertised. Furthermore, Kickstarter aims to engage crowdfunders to support the campaign projects for other than pure extrinsic reasons: They want the crowd to fund campaigns, as they in doing so are “supporting their dream to create something that they want to see exist in the world” (Kickstarter 2017b). First, to become a member of Kickstarter, users follow a sign-up process similar to many other websites including details regarding name, email, and password, and if pledging toward campaigns: bank account details. Crowdfunders are subsequently asked to follow three “rules”: (i) Don’t spam, (ii) Don’t be a jerk, and (iii) If you see something, say something. Kickstarter also relies on its users to report any violations of these rules and the consequences of rule breach include written warnings and – in certain circumstances – exclusion from the platform (Kickstarter 2017a). Table 3 provides an overview of the decisions, which the platform makes in relation to maintaining the crowdfunding process.

Table 3. Platform decisions for maintaining the crowdfunding process

[INSERT TABLE 3 HERE]

5.2 Campaign founders

The campaign founders represent a mix of both established business seeking to create new business opportunities, small groups of entrepreneurs wanting to launch their idea, and individuals seeking money for small – and often artistic – projects (Belleflamme et al. 2014). Although founder campaigns are often treated as a relatively homogenous actor by the crowdfunding platform – in terms of the previously noted rules, membership, and sanctions –

they actually represent a quite diverse group of actors from complete organizations to partial organizations and single individuals. While established businesses can generally be characterized as complete organizations, the diversity of entrepreneurial endeavors by small groups of individuals may be characterized as fluid organizations (see Schreyögg & Sydow 2010) with yet to be defined decisions on, for example, membership, hierarchy, and rules. For first-time entrepreneurs, their ability to successfully achieve funding reflects the moment in which their idea or service goes from imagined to having to be executed. This moment also necessitates a shift where decisions need to transition from a loosely or fluidly organized project to a clearly demarcated and accountable enterprise. Successful Kickstarter campaigns, for example, are those who supply continuous updates on the progress of their venture and quick responses to crowdfunder questions, both in efforts to maintain positive support and garner further financing (Xu et al. 2014). This paper therefore proposes that a significant number of crowdfunding campaigns constitute a unique empirical setting as they – if successful in achieving funding – must transition from partial organizations to complete organizations. This paper therefore argues that – if not already present – successful campaign founders must begin to institute decisions on membership, hierarchy, rules, monitoring, and sanctions to continue to operate successfully.

In relation to the platform, the campaign founders are functionally limited with regard to decisions that directly affect the overall crowdfunding process, given that the platform holds significant power as they control the very infrastructure that enables the process. Campaigns hosted by Kickstarter, for example, most conform to its established infrastructure and rules, and hence, a type partial boundary is established around these hosted campaigns. However, the respective campaigns may still influence the shape and size of the partial boundary set by the respective platform, especially given the competition among platforms to attract campaigns and the fact that it is not uncommon for campaign founders to seek out multiple platforms in efforts to raise capital. This leads to pressures on the platform boundaries as it relies on attracting and maintaining a large selection of campaigns. The recent easing of Kickstarters' rules regarding which projects can be placed on its site and the simplification of the screening process of those very projects can, for example, be attributed to its need to compete with other platforms such as Indiegogo or GoGetFunding (Kelion 2014). Hence, while on an aggregated scale, the crowdfunding process is reliant on a co-dependent relationship between platform and campaign – each defining and shaping the other – there is also a degree of boundary making between platform and campaign founders: the platform aiming to define a framework for

campaigns, while campaign founders select the platform(s) that best suit their needs and thereby putting an indirect pressure on that same partial boundary. The relationship between campaign founders and crowdfunding platform is, in other words, defined by both the partial boundary parameters set by the platform and the pressures placed on those boundaries by the campaign founders in their capacity as content providers. Given this co-dependence between platform and campaign founders, multiple hierarchies emerge as both platform and campaign founders exercise key decisions that relate to and affect the crowdfunding process. Multiple hierarchies refer to the fact that campaign founders are both obligated toward their own internal hierarchy and to the platform because of the framework it has established.

As with the platform, founder campaigns also have a direct – if not closer – interaction with the crowdfunders, as the support of the external “crowd” is paramount to the success of the individual campaign. This interaction between founder campaigns and (potential) funders is primarily communicative in nature (Schwienbacher & Larralde 2012; Lehner 2013): first, in terms of the campaign founders mobilizing their own networks to spread the word; second, in harnessing support through updates during the crowdfunding process; and finally, by supplying the investing funders with updates on the progress of the venture (Lin et al. 2012; Xu et al. 2014). Whereas the platform serves as an overall marketing and enabling facilitator by hosting and announcing (new) campaigns, the success of the individual founder campaign is dependent on the founders’ abilities to tailor and execute on communication strategies to insure funder backing.

The communicative nature of the interaction between campaign founders and crowdfunders should not, however, be confused with a lack of organizational decisions. Founder campaigns define the individual rules of membership for their given campaign(s), for instance, by setting specific funding targets which crowdfunders must comply to in order to achieve different levels of membership and rewards. The perks or rewards for hitting the various levels of support thus represent positive sanctions, which the campaign founders themselves define and implement. Campaign founders make decisions on rules as they relate to what crowdfunders can expect from the campaign, for example, the perks that can be expected at different financing levels or procedures for refunds. Finally, certain campaigns also make efforts to engage with existing brand communities (Fournier & Lee 2009) or consumer tribes (Cova & Cova 2002) to mobilize funder support, promotion, and feedback (Mollick 2016). The movie *Veronica Mars*, for example, was realized because of its ability to harness significant fan support for a movie

adaptation of the TV series. It received \$5,702,153 in financing (Kickstarter 2017d), which surpassed the funding goal of \$2 million with certain individual crowdfunders pledging more than \$8000 (Meer 2014; Scott 2015).

Table 4 provides an overview of the decisions, which campaign founders make in relation to maintaining the crowdfunding process.

Table 4. Campaign founder decisions for maintaining the crowdfunding process

[INSERT TABLE 4 HERE]

5.3 Crowdfunders

The aggregated sum of all crowdfunders who take part in the crowdfunding process can best be described as a non-organized collective of individuals. They thus constitute “a spontaneous and volatile form of collective behaviour” (Dolata & Schrape 2016, p.3) and can therefore not be said to conduct decisions on behalf of a collective whole. Nonetheless and as illustrated in this section, the crowd is still asked to carry out key decisions on behalf of the platform by playing a primary role in monitoring and sanctioning campaign founders. Decisions are thus carried out by individuals but aggregated to form what resembles a collective decision-making capacity, which is often referred to as “the wisdom of the crowd” (Mollick & Nanda 2015).

While we cannot conceive of the crowd at large as carrying out decisions on behalf of itself in a collective manner, the crowdfunding literature nevertheless suggests that in supporting certain campaigns, some crowdfunders can take on a supporter identity and coordinate action (Ordanini et al. 2011; Gerber & Hui 2013; Scott 2015). Certain founder campaigns are able to gain a particularly high degree of interaction between their founders and their backers not only in terms of monetary contributions but also with crowdfunders seeking to shape the direction of the given campaign (Hahn & Lee 2013). The Kickstarter campaign for the aforementioned Veronica Mars movie is a good example hereof: The writer Rob Thomas notes that the movie moved in a different direction than originally intended because it was financed through crowdfunding. *“I had some desire, as a filmmaker, to take Veronica in a slightly new direction and do something adventurous with her. Or, there’s the “give the people what they want” version. And I think partly because it’s crowd-sourced, I’m going with the “give the people what they want” version”* (Scott 2015, p.174). Under these and similar circumstances in which

campaign founders are able to tap into existing brand communities (Fournier & Lee 2009) or consumer tribes (Cova & Cova 2002), crowdfunders start to mimic collective actors with a distinct group identity and shared rules and goals (Dolata & Schrape 2016). However, examples hereof are relatively few and thus represent rare subgroups within crowdfunders. Overall, the crowd is therefore best characterized as a non-organized collective of individuals.

In relation to the platform, the crowdfunders are therefore also very limited in their capacity to implement decisions that directly shape the framework and infrastructure of the platform. One could argue that crowdfunders hold a somewhat weak power in terms of their decision to (not) utilize the given platform and are thus able to push the boundaries of membership, rules, and sanctions in similar ways as the campaign founders. However, this paper holds that given the fact that crowdfunders represent a largely non-organized collective of individuals, such decisional power merely overstates the organized nature of the crowd. Given the very loose parameters for rules and membership as set by, for example, Kickstarter, it is moreover hard to conceive of a situation that would mobilize a sudden collective kickback from the funders.

The role of this non-organized collective of individuals becomes especially interesting when related to the campaign founders. As mentioned previously, the platform relies almost exclusively on the crowd to ensure that its content providers – the campaign founders – uphold its commands and rules (Sun & Im 2015). This is done through a monitoring process in which crowdfunders request updates, ask questions, and even investigate the truthfulness of the given product or service campaign. In doing so, platforms such as Kickstarter therefore delegate core decisions not only onto an external actor but also on an actor who in fact represents a fluid and volatile crowd of individuals beyond its boundaries. The respective power on the crowdfunders' decisions is further strengthened by the fact that they can also provide positive and negative sanctions to campaign founders. Positive sanctions include, as mentioned, pledging toward the specific campaign and promoting it in one's network, while negative sanctions include targeted negative comments, which question the campaign. Examples of negative sanctions are also the creation and posting of YouTube videos that question the feasibility of the idea or even websites such as Kickscammed.com where users post, share, discuss, and ultimately report campaigns, which they consider fraudulent. Hence, despite the fact that the crowdfunders are largely non-organized, they still carry out decisions that affect the crowdfunding process and its organization. Table 5 provides an overview of the decisions that crowdfunders make in relation to maintaining the crowdfunding process.

Table 5. Crowdfunder decisions for maintaining the crowdfunding process

[INSERT TABLE 5 HERE]

5.4 Summary

The crowdfunding process represents – as illustrated in Figure 1 – a complex symbiotic interaction between a range of actors: a fully organized platform, a diversity of campaign founders with different degrees of organization, and finally, a non-organized collective of individuals commonly labeled as crowdfunders or the crowd. These actors each contribute to the crowdfunding process and rely on each other to maintain “common patterns of behaviour [...] with some stability over time creating predictability and facilitating interaction among people and organizations” (Ahrne & Brunsson 2011, p.89). Figure 1 summarizes the various decisions that the respective actors make, which are necessary for maintaining the decided social order of the crowdfunding processes. These decisions cross boundaries and thus create the co-dependent structure argued in this paper as characteristic of the crowdfunding process.

Figure 1. Decisions by platform, campaign founders, and crowdfunders

[INSERT FIGURE 1 HERE]

In seeking to map the respective decisions that enable the crowdfunding process, this paper further observes that there is a need to flesh out the five respective decisions, so differences in degree and implementation become visible and open to analysis. In efforts to account for how the crowdfunding process is organized, it is clear that membership, for example, is not a simple proposition of present or absent. This paper proposes instead that decisions on membership, hierarchy, rules, monitoring, and sanctions can happen in degrees, something that to best of my knowledge has not yet been dealt with by the literature on partial organizations. These degrees in decisions may thus be seen as reflecting the level of organized interaction between the respective actors of the process. The platform, for example, sets strict legal rules for the campaign founders with similarly strict sanctioning options but places only loosely set rules and limited sanctions for the crowdfunders. This diversity of decisions – as implemented by the respective actors to organize their respective interactions – creates the argued co-dependent structure that characterizes the crowdfunding process and blurs the boundaries between the various actors in the process.

6 CROWDFUNDING PROCESS AS CO-DEPENDENT ORGANIZATION

When reviewing the literature on crowdfunding, the phenomenon appears to be polymorphic as it seems to inhabit multiple organizational molds simultaneously: network, community, market, and organization. In seeking to explore the strengths and weaknesses of each of these organizational molds, this paper identifies that while the respective molds succeed in explaining organizational aspects of the crowdfunding process, they each fail to explain important facets of the process. In the best case, this leads to a reductionist understanding of the crowdfunding process, but at the worst case, it may lead to a misrepresentation of what it is. Therefore and rather than attempting to create a new term to describe this form of organizing, this paper instead proposes that we – in line with the concept of the partial organization – look to the decisions that make up the decided social order of the crowdfunding process (Ahrne et al. 2017; Ahrne & Brunsson 2011).

As a form of organizing, crowdfunding represents a circumstance where the central organizing actor (the platform) is so dependent on what would otherwise be considered external actors (campaign founders and crowdfunders) that the boundary between them becomes blurred. This is exemplified by the fact that key decisions on membership, rules, hierarchy, monitoring, and sanctioning have in different capacities and in different degrees been consigned to these actors. With this delegation of decisions, these previously external actors become contributors for establishing and organizing a co-dependent organizational structure. As opposed to other circumstances in which an organization may draw upon external forms of organizing – such as stakeholder involvement, commitments to an agreed upon standards (see Brunsson et al. 2012), or the utilization of external knowledge sources (see Afuah & Tucci 2012) – the organization and maintenance of the crowdfunding platform is impossible without these external actors. In other words, whereas other organizations may decide to discontinue the relationship with such external actors and instead carry out the tasks internally, this is not an option for the crowdfunding platform.

Finally, the reliance of the platform on a non-organized collective of individuals to carry out key decisions (i.e., on sanctioning) represents another factor that sets the crowdfunding process apart from the ways in which other organizations engage with external actors: The utilization of partial organizations by established organizations is in itself not a novel idea within the

organization literature, as prior examples hereof include standards, meta-organizations (e.g., industry associations and international governmental organizations), stakeholders, and even families (Freeman et al. 2010; Ahrne et al. 2016). However, the key uniting quality of these partial organizations is that they are much more stable compared to that of the crowd. The use of a decidedly non-organized and unstable group of individuals to carry out key organizational decisions presents an interesting but arguably challenging notion for the scholarly organizational field.

From the perspective of one specific crowdfunding campaign – the Veronica Mars Kickstarter campaign – we can see how a partial organization framework reveals the diversity of decisions made by the various actors of the crowdfunding process. Membership wise, Kickstarter has made a series of decisions regarding the rules of membership. In the case of the Veronica Mars campaign, membership of Kickstarter was thus predicated on the founder Rob Thomas agreeing to these formal rules. Subsequently, Rob Thomas and his cofounders set their own membership rules, which were predicated by individuals pledging toward the campaign. Membership was furthermore tiered from “eternal gratitude” at low-level pledges (from \$1) to a speaking role in the movie at the highest pledge (\$10,000). From a hierarchy perspective, the platform and campaign founders thus made decisions on the roles of the individual members at different levels. The platform set the framework for the Veronica Mars campaign, while the campaign in turn defined its internal functioning and the role of its members. The rules of membership set by Rob Thomas and his cofounders were, in turn, guided by the expectations of those backing the project. While supporters of the campaign were not given any explicit power to define or shape the project, their feedback nevertheless changed the direction of the original campaign as noted by Rob Thomas. In this particular example, the backers were able to affect this change given their direct involvement in sanctioning and monitoring the Veronica Mars campaign. This pressure exemplified by the more than 22,442 backer comments on the Kickstarter page itself and a range of social media commentary, all of which was ongoing throughout the process as the backers sought to market, pressure, critique, and shape the direction of the film.

This practical example further illustrates how each of the previously noted organizational molds covers aspects of the crowdfunding process. The example also reveals, however, that they each fail to account for it fully. For example, the community perspective would be helpful for understanding the significant engagement of the members of the Veronica Mars campaign,

but it would miss the formalized structures and hierarchical decisions that also shaped the process. A two-sided market perspective would, however, largely ignore the significant role of the backers in shaping the campaign and rather view it simply as a buyer–seller interaction. A network perspective would help us understand how the project reached such significant success and exposure, but it would be limited to understanding the connections that bind backers and neglect why this would result in engagement in the first place and the organizational element that enabled it. Finally, an organization perspective would be limited by its focus on only organizations (i.e., Kickstarter and Veronica Mars campaign team) and thus bypass the individual backers.

This paper proposes instead that each of the various actors within the crowdfunding process contributes to its maintaining through the decisions they each make both in relation to themselves and with regard to each other. Each of the various actors of the crowdfunding process contributes to the maintenance of the process' co-dependent structure: The platform organizes the campaigns with strict decisions on membership, rules, sanctions, and – to a lesser degree – monitoring. The campaigns organize the crowdfunders through decisions on membership, limited rules, and positive sanctions. In return, in relying on campaign founders for its content, these founders can put pressure on the platform. The campaign founders negotiate hierarchy, rules, and membership with the platform and the crowdfunders monitor and sanction the campaign founders. What appears first as a relinquishing of organizational control by the platform instead strengthens of the organization as it through this co-dependent relationship is able to achieve more than it would have had if it had sought to bring these external actors within its complete organizational structure.

7 CONCLUSION

The aim of this paper was to contribute to the scholarly fields of both crowdfunding and organization by illustrating the applicability of the partial organization literature on this emergent form of organizing and financing. First, the paper reveals that the crowdfunding process appears to inhabit multiple organizational molds simultaneously – network, community, market, and organization – each of which explains aspects of the crowdfunding process but fails to explain it in its entirety. Consequently, the paper suggests that the concept of partial organizations provides an alternative and superior approach to understanding the crowdfunding process, both as it does not require the creation of new or adaptation of existing

organizational molds, but more importantly because it is able to capture the complex, boundary crossing, and co-dependent nature that characterizes the process. Second, the paper contributes directly to the crowdfunding literature by proposing a conceptualized understanding of how organizational theory may offer new insights into the organization of the crowdfunding process while providing a vocabulary for understanding the diversity of ways in which the respective actors within the process decide, navigate, and coordinate. In doing so, the paper sheds light on the co-dependent nature of the crowdfunding process and subsequently its fluid and boundary-crossing nature. Third, the paper demonstrates the value of the concept of partial organizations in understanding the crowdfunding process and thus the relevance of organization studies in understanding emergent forms of organizing; something it has otherwise been criticized for failing to do (Miller et al. 2009). Finally, this paper contributes to the concept of partial organization by illustrating the need to consider how decisions on, for example, membership can happen in degrees.

From a scholarly perspective, this paper proposes that the multifaceted nature of the crowdfunding process offers an interesting microcosm for understanding a range of processes including network interactions, market processes, and “distributed models” of innovation. Arguably unique for the field of innovation and entrepreneurship, this also grants an opportunity to observe the process by which entrepreneurs successfully commercialize their invention(s) and how such funding success enables innovation. However, this paper also encourages scholars to adapt their research approach and to look beyond the single actors (platform, campaigns, and crowdfunders) of the process and instead seek to empirically observe how the overall crowdfunding process is maintained. In doing so, such scholars may perhaps even discern how different organization structures and rules impact the crowdfunding process as exemplified by the work of Wessel et al. (2017) on the change in Kickstarter’s screening process policy and how this resulted in unexpected “ripple effects” for both campaign founders and crowdfunders. Finally, this paper also posits a warning to crowdfunding platforms, noting that while there is a self-evident good in many of the aspects of the crowdfunding process (i.e., enabling innovation and entrepreneurship), there are also risks and responsibilities that cannot simply be delegated onto the consumer as is commonly done now. As crowdfunding matures, regulation is arguably not far behind and platforms must increasingly engage in the debate and accept accountability for their hosted campaigns. The notion that sole responsibility lays between the campaign founders and crowdfunders is insufficient.

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