Preface

Trying to predict the future has little value unless you first seek to understand the forces that drive the changes, the subtle nuances that can create future opportunities. Innovation means to anticipate future needs, create new business models, without losing revenue.

We always talk about vision, by reading this book anyone can become a “visionary thinker”, one who knows how to translate trends and changes into unique opportunities.

The book is not limited to innovation. Innovation is a driver which results in a positive change, that makes life better. The book provides a precise view of the World to come, a broad view of the Knowledge Era in which we live, in order to understand the changes taking place to grasp opportunities and advantages.

I have been always fascinated by looking at the evolution of economy and society. When I graduated in 1999 I prepared a thesis on how internet would have changed the World, disrupting old fashion schemes, imagining new business models, new opportunities, new C2C, P2C and P2P environments. After many years I realised that the timing or place to present that research was wrong, but still there is a need to discover the potentials offered by the analyses of our disruptive evolution and the characteristics of the Era in which we live, the so called Knowledge Era.

There are tremendous unexplored opportunities to catch thanks to crowdsourcing and crowdfunding, two sides of the same coin that lead to a revolution of social and economic models.

By definition, crowdsourcing is the process of obtaining needed services, ideas, or content by soliciting contributions from a large group of people, and especially from an online community, while crowdfunding refers to open calls to the public, generally via internet, to finance a project through either a donation, a monetary contribution in exchange for a reward, product pre-ordering, lending, or investment. It is wrong and misleading to see crowdfunding as an emerging alternative source of financing only. It represents a winning opportunity for the entire system, the World in which we are living, with great social-economic implications, impacts on new business models, on new life styles, on how to communicate science, how to stimulate innovation and participation, how to support entrepreneurship and research while promoting a renewed attention to today’s social challenges.

This work is aimed at presenting how new models that break the mold in certain sectors can be applied in any sector. The paradigm shift. Open innovation and social innovation as tools for sustainable development, even in the evolution of learning. Crowdfunding and crowdsourcing as tool to sustain innovation and development. How the evolution of post-Fordism brings to a new capitalism. How the crowd economy drive the success. The third Industrial Revolution that leads us to live in what is called the Era of knowledge understood as a new way to live and work that revolves around the human capital,
Preface


Crowdsourcing and crowdfunding are the beginning of a new version of fair democratic capitalism where each individual can take part and contribute.

Global populations are interacting and creating value on collaborative platforms creating value, providing access and sharing resources. This is crowd capital. The crowd economy is a dynamic ecosystem of productive people who participate through a platform with a purpose to achieve mutually beneficial goals. The meeting between the “long-tail” demand and “blue oceans” of opportunities creates crowd capital that boosts economies.

It is therefore reductive categorizing the phenomenon of crowdfunding as a mere alternative channel to access credit. Because it impacts the entire economic and social system.

Today, millions of people are bakers, in 2020 there will be billions as also stated by Jeremy Rifkin in “Third Industrial Revolution”.

Starting from the questions ‘why’, ‘how’, ‘what if’ I have structured this work, with an interdisciplinary approach that counts numerous research contributions from a wide variety of disciplines including applied sciences, sociology, marketing, economics, law, policy and regulatory frameworks.

Observing the changing society we can project ourselves into the future. It is not true that the future is unpredictable and uncontrollable. The future creates the present. We can control the future and seize the opportunities it offers us to improve our lives. If any new project is not aligned with the problems, the needs and requirements of the future, the future won’t allow the project to be implemented. This book will give an opportunity to everyone to make sure that their projects will be successfully implemented. Today anyone can be a protagonist of a sustainable project, even those you don’t have a project can be proactively involved and benefit from the successful implementation of positive changes.

We project ourselves in a sustainable way in the future thanks to being protagonists of right choices today. We can control the future less than what we might want, but a lot more than what we can imagine.

I believe that we need not genes, but people again inspired and driven by passion. It is time to turn problems into opportunities, to ask ourselves the question “what if”, to see with different eyes what is around us, to create something new, to be able to say at the end of the day “I did something great.” The real progress that we would incur in the coming years requires fresh, creative and innovative ideas. I bet these years of deep crisis and deep recession will be born the decade that will inspire new services, products, methods, lifestyles, ideas and more. Looking back, many of the great discoveries that have revolutionized entire systems such as television, radio, xerography were invented during the years of deep recession.

When I decided to write this book I clear my objective: to share with others a projection of the future because the story and the solutions are created together. Past, present and future are part of the life of each of us.

Observing the changing society and project it into the future is the mission of this book. By doing so we can improve our future, we can not only understand, but to be the key players of the changes, to be the protagonists of the opportunities to be seized and implemented.

Jobs are over and the future is income generation, says innovation strategist. The old lifecycle path of childhood dependence, followed by a learning phase directed to gaining employment, leading to “productive” years of jobs and career building and the ultimate capping of the cycle with retirement
and fall back on social security is fading. Instead today’s life path follows more of a wave pattern that oscillates between phases of actively learning new skills, being productive in society through a range of short term assignments and realistically even unemployed for periods of time. What is being witnessed today is a rise of a new life path that is peppered with life-long learning opportunities, short and medium term monetizing engagements that builds social capital. So new-age productive workers are building a diverse portfolio of skills, experiences, network tools, excess capacity and physical assets that aid in passive and active income generation, and last a lifetime.

The alternative finance industry is a vibrant industry that develops very quickly. Community shares, civic crowdfunding, real estate crowdfunding and marketplace lending are examples of the developments that take place in the industry.

The growing awareness of humanity’s finite resources and recognition of the limitations of one-off projects are prompting step changes in development planning. Sustainable development addresses the limitations of current practices and features at the centre of almost every political, environmental, scientific and economic discussion held today. Its aim is to achieve the triple bottom line of economic prosperity, environmental quality and social equity, meeting the needs of present society without compromising resources for future generations.

The 1992 Rio Earth Summit was the moment when sustainable development captured worldwide attention. It established why sustainable development is necessary; the project now is how to execute it. The 21st century is the era of mass innovation - more ideas, knowledge and information being shared by more people than ever before. Can we harness collective brainpower to innovate in the area of sustainable development for the common good? Google, Wikipedia and Linux are already using collective intelligence to develop new solutions through online communities. Could a collaborative online community do the same for sustainable development?

The global economy is in flux, in a new place full of possibilities and also full of unknowns. The power shifts from a handful of people to a democratic group of many is creating building innovation while tearing down archaic systems that do not work. As platforms mature and the crowd becomes more empowered and knowledgeable, there will be an organic restructuring and platforms that offer periphery services for true well-being of all stakeholders will distinguish themselves from the rest of the pack. From a political and civic point of view, governments should also prepare for the rise of this new economy. The crowd economy is not simply a buzzword but pathways to infinite opportunities.

A transition from ownership towards accessibility can be observed over the last decade in the economic exchanges. In the traditional economy, customers buy products and become owners (proprietats). In a sharing economy, consumers pay for temporary access-rights to a product or service (usus).

The world is moving into a world of open innovation, user innovation and co-creation. A world where the digital and physical are coming together, where new knowledge is created through global collaborations involving thousands of people from across the world and from all walks of life.

Co-creation is the active flow of information and ideas among different sectors of society (academia, government at all levels, business, third sector and citizens) which allows for a better understanding of participation, engagement and empowerment when developing policy and programmes, creating and improving services and tackling systemic change within each dimension of society. Through engaging citizens to redesign and remake their cities and communities together with businesses, public authorities, universities and all stakeholders, co-creation can lead to citizen empowerment, jobs creation through innovation, more efficient and effective public administration and strengthening democracy through open government. Co-creation can increase the innovation capacity of all sectors, by increasing the sources
for new ideas, and facilitating cross-fertilisation through knowledge and experience sharing. Through the coproduction of services with citizens and business, co-creation can reduce costs and build on design driven ideas and testing of new solutions.

The traditional business model based on *proprietas* is rapidly changing due to two main drivers: one the one hand, technological advancement allows the model of sharing economy to spread different markets and become convenient and flexible. On the other hand there is a shift towards peer-to-peer accessibility. According to this model based on *usus*, companies are providing access for consumers to company owned property, or in peer-to-peer models, online platforms are facilitating access for consumers to consumer owned property.

Another key element is the community engagement, the worldwide review indicate that the social and ethical advocacy of projects are key factors to drive the crowd.

The power of the crowd which is the key in the sourcing but also in the funding. More generally crowdfunding, despite beginning as a grass root phenomenon, it has quickly scaled up and moved into financing innovation and providing seed capital for innovators and start-ups, raising money in the billion euros range and being increasingly used also by established businesses of any dimension and ranging from PA to Multinationals to finance growth and expansion activities.

By 2016 the crowdfunding industry is on track to account for more funding than venture capital, according to a recent report by Massolution1.

Just five years ago there was a relatively small market of early adopters crowdfunding online to the tune of a reported $880 million in 2010.

Fast forward to today and we saw $16 billion crowdfunded in 2014, with 2015 estimated to grow to over $34 billion.

In comparison, the VC industry invests an average of $30 billion each year.

The crowdfunding market is expected to grow across all models over the next decade: the World Bank predicts that the total crowdinvesting market potential will reach EUR 70 billion per year by 2025, excluding North America. This simply shows that crowdfunding models can be used easily to support start-ups and established businesses and can become an alternative solution for early stage financing for several projects.

On the other hand, very few startups are maximizing the opportunity of the internet today through the power of crowdsourcing. Most go as far as crowdfunding and if that is extent of the grasp of crowd applications, entrepreneurs are missing the big picture.

But crowdfunding is much more, as we will see in the following chapters. It has emerged as effective way to raise money with the added power of social media. Crowdfunding, beside its primary role of alternative financing has a strong marketing and communication function, which can favour the use of crowdfunding by institutional actors, corporate and large companies for public advocacy and marketing activities. Indeed, crowd instruments can drive a positive change and help citizens, research, public administrations and companies of any size in improving their image among their customers as well as in the wider public by communicating and marketing their support to clean and participatory investments or simply by being supporters and users of a tool generally perceived to be a more democratic form of financing.

The book will analyse in detail the crowdfunding models and how they serve specific purposes beyond just money, like meet the first customers of the business, presell, test and finetune the product/service, receive feedback and procure market validation. We will see how crowdsourcing and crowdfunding are powerful tools to sustain growth, as a response to the ongoing transition.
Crowdfunding will not only draw individual entrepreneurs but also business firms, NGOs, universities, local and central governments. Crowdfunding activities inside the company have potential to become widespread because of their advantages. This kind of approach expands the level of creation inside the company and fosters technology-related improvement.

Expanding on the idea of crowdsourcing, crowdfunding implies mobilizing the crowd to finance projects which are posted by their proponents either on personal pages or on dedicated websites, known as crowdfunding platforms. Funding is provided by web users in exchange for some monetary claims on the project revenues, for an economic reward, or simply for donation. Suggestions and feedbacks for improving the projects are also welcome by proponents. Scholars and practitioners agree that crowdfunding holds the potential of changing traditional funding practices in general, but – more interestingly – especially for entrepreneurial projects and startups by complementing financing provided by professional investors like venture capitalists, business angels, or equity providers (Giudici et al., 2012).

The first part of the book illustrates the transitional age in which we live, so as to explain the various aspects, providing scientific, economic, social and dynamic basis for growth. A path in which we are the actors, regardless of spatial and cultural constraints, with repercussions in the spheres of education, work, society, organization, participation and information seen also in relation to accepting the role of “active” citizen in the protection, defense and enhancement of public affairs.

Readers will discover how the sharing economy can produce dynamic changes in the workplace and in the fields of analysis and development, understanding what factors contribute to change and what to expect in the future.

All of our markets, systems and technologies have become incredibly fluid and interconnected and are leading to unknown areas. For most of us, the chaotic nature of interconnected trends may appear like a needle of a compass in permanent rotation. This disorder calls for answers, that the text aims to provide, bearing in mind that uncertainties create great opportunities for those who can read and translate them into a radical change.

The rest of the book is devoted to crowdfunding, which is analysed in all its aspects and projections towards the future.

The book offers a clear understanding of the knowledge Era and what it offers, while crowdfunding represents the deus ex machina to implement it in a sustainable manner.

The book explores the potential of crowdsourcing and crowdfunding, which has wider implications on society, labour, finance, social inclusion, sustainable development and growth, project management, public investments, creativity, culture, innovation, prosperity, social entrepreneurship and entrepreneurship. It will be discovered by reading the book that any idea and project can be successfully realised and there are no limits in terms of area of business, budget needed and typology of the proponent, meaning that anyone can launch a successful crowdfunding initiative.

**OBJECTIVE OF THE BOOK**

This comprehensive and timely publication aims to be an essential reference source, building on the available literature in the field of crowdsourcing and crowdfunding while providing for further research opportunities in this dynamic field.
Preface

Designing crowd actions involves the rethinking on how to communicate science, how to stimulate innovation and participation, while promoting a renewed attention to today’s social challenges. Crowdsourcing and crowdfunding support entrepreneurship and research; is a winning opportunity for the entire system.

It is envisaged that this text will provide the resources necessary for anyone, policy makers, entrepreneurs, citizens, NGOs, traders, cooperatives, associations, researchers and students to adopt and implement crowdfunding solutions in achieving their goals.

The book contributes to understand the World in which we live in order to maximise the opportunities people can get. It doesn’t merely discuss technologies, but models and opportunities to be taken from the correct ‘reading’ of the Knowledge Era.

The reading of the text intends to give anyone the possibility of transforming problems into opportunities, asking the question ”what if”, seeing with new eyes all that surrounds us, creating something new.

It will give free rein to our potential in order to meet our needs. Reading the book will contribute to the art of exploration, to the perception and understanding of where we are, of our needs and of the forces that cast us into the future.

Understanding the knowledge Era will let us see the future that belongs to us, or one in which we can be successful protagonists, finding a career, being the architects of a solution, creating new professional figures, conceive new business, consumption and lifestyle models, turn our ideas and dreams into reality.

There are no books which cover the topic in such way. By reading the book it will be possible to understand the essence of the changes, the interlinked elements which moves our society forward. Crowdsourcing and crowdfunding is the beginning of a more democratic and equitable version capitalism where now every individual has an opportunity to take part.

TARGET AUDIENCE

The book is addressed to a wide audience which encompass: students, researchers, citizens and general public, entrepreneurs, startups, associations, cooperatives, public institutions and policy makers.

OVERVIEW OF THE CHAPTERS

Chapter 1

The Crowd Economy: From the Crowd to Businesses to Public Administrations and Multinational Companies

The chapter is devoted to the power of the crowd. A digital transformation is underway. One that is redefining the essence of human interaction and with ideas, share unused resources and create new on-demand services that are customisable and unique. These are only a few examples of real productivity that when layered on the Internet creates an abundance of resources and opportunity. This people-powered abundance is called the crowd economy: it the way the society lives, works and plays. There is a new paradigm shift that challenges traditional notions of the “norm” while expanding possibilities.
The hallmark of the digital age is social connections that are boosted by the web and mobile networks. These technological advances have taken collaboration and cooperation to a level never seen before. Social connections through the web have gone beyond social media likes and shares and has evolved into social productivity - a phenomenon that arises when networked crowds collaborate to solve problems, raise funds, come up with innovative sustainable solutions.

Chapter 2

Towards a New Economy: Co-Creation and Open Innovation in a Trustful Europe

This chapter focuses on the transition towards a new economy, where Europe can find untapped sources of growth and employment, renewing the legitimacy of public policy-making, especially through greater citizens’ involvement and by delivering better public services for all. The chapter analyses the perspectives of Europe in 2050 following three dimensions: Global and European demographic changes; Economics, energy, environment and technological prospects; Geopolitics and governance. The concepts of trust, co-creation, sharing and sustainable economy, innovation, and social innovation are presented as the key ingredients of the “new” economy.

Chapter 4

Crowdsourcing New Tools to Start Lean and Succeed in Entrepreneurship: Entrepreneurship in the Crowd Economy

The very essence of the new entrepreneur is shattering tradition. On the heels of the new social internet, we are seeing the rise of the solo-entrepreneur or intrapreneur who embraces globalisation, failure and successes and collaboration. Powerful networks brought together by crowdsourcing are supplying the tools to start lean, innovate and solve complex problems. This chapter explores the changing ecosystem and the effect of networked crowds on starting lean and succeeding with entrepreneurship.

Chapter 5

Crowdsourcing Social Innovation: Towards a Collaborative Social Capitalism

The growing awareness of humanity’s finite resources and recognition of the limitations of one-off projects are prompting step changes in development planning. Sustainable development addresses the limitations of current practices; its aim is to achieve the triple bottom line of economic prosperity, environmental quality and social equity, meeting the needs of present society without compromising resources for future generations. Collective intelligence is considered by both Charles Leadbeater (former advisor to Tony Blair) and MIT as one of the most powerful ways to tackle complex problems, like climate change. This chapter explores the principles of crowdsourcing, its applications and the main trends. It presents theories, practices and examples of the use of crowdsourcing to innovate in the area of sustainable development for the common good. It announces the rise of collective brain-power to the challenge of creating better and more effective forms of civic and social engagement to solve problems on a world scale.
Preface

Chapter 6

The World’s Oldest Profession: Now and Then – Disruption of the Commercial Banking Model

Modern banking found its roots during the Renaissance period casted by the European merchant banks. Their success was due in large part to their aggregation, absorption and deployment of information about borrowers, structures and markets. In the 21st century, banking again is being advanced due to insights developed by vast amounts of information and data, this time gathered and managed through new technologies and models, in quest of efficiency, improved risk management and improved portfolio performance. New entrants into the business of banking operate outside of existing regulatory structures, and may enjoy a level of competitive flexibility compared to existing commercial banks. Might this portend the end of the so-called modern commercial banking model, or might it serve as a strategic imperative for the banks to adapt to innovation?

Chapter 7

The Crowdfunding Market, Models, Platforms, and Projects

The changing structure and intensity of competition on one hand, the ongoing pressure on creating differentiated offerings lead to seek out new ways to improve technology as well as new ways to perform business. Technological developments enable market participants or other interest parties to engage in the process of both innovation and production, resulting with an online social network market model of co-creation. This chapter focuses on describing different aspects of recently developing crowdfunding market models where new projects are offered and funded by large number of individuals from general public. The current extent and dynamics of the growing crowdfunding market, various models of crowdfunding, crowdfunding platforms and the projects that are crowdfunded are analyzed through the chapter by giving examples and comparative comments. The analysis of the market is concluded by the foreseen future trends.

Chapter 8

Chapter 3

The History and Evolution of Crowdsourcing

In this chapter a detailed history of Crowdsourcing phenomena is given, in both the research and practice, focusing on the private sector, to illustrate the diverse and rapidly emerging phenomena that comprise this body of research. In terms of actual organizational practice, Crowdsourcing is generally implemented by organizations through two modalities; in-house, and through intermediaries. For example, organizations can launch Crowdsourcing initiatives on their own branded platforms, like Dell did with IdeaStorm, or they can commission Crowdsourcing intermediaries to host contests on their web properties for a fee.
Chapter 10

The Crowdfunding Communities and the Value of Identification for Sustainability of Co-Creation

For a sustainable future, the actors of the market need a change in spirit that will elevate the life-chances of people by being an “empowered part” of the economic system. A participative, open knowledge economic and market system that will ensure the material well-being, the social visibility, the happiness and the consciousness of the individual is essential. Crowdfunding, as a recent online social community network market model is to be a new socio-technical system of co-creation through self “making and funding”. The aim of this study is to discuss the role of identification in co-creation for sustainability of newly rising crowdfunding communities. In line with this objective, the following two aspects are clarified: the key characteristics of crowdfunding platforms as online communities and the role of identification for co-creation in online crowdfunding communities.
Chapter 11

Principles in Crowdfunding Benefits and Validation
Tools: How to Ensure Campaign Success

This chapter provides the key benefits of a crowdfunding campaign together with a rich variety of validation tools provided to enhance the chance of a crowdfunding campaign’s success. Benefits cannot be achieved in a crowdfunding campaign if it is not successful. Thorough validation of the campaign upfront can heighten success. The author in an internationally respected crowdfunding authority who has managed over 300 crowdfunding campaigns through the platforms he has been involved with. The author lists 11 benefits and 11 validation tools together with a plethora of links to tools to assist both the novice and experienced crowdfunder.

Chapter 12

Crowdfunding as a Marketing Tool

Most people, at a first sight, perceive Crowdfunding as a specific and exciting process to raise money. Of course, this is correct, but it is not the whole truth. A successful crowdfunding campaign must be addressed to a community of people, rather than to an indiscriminate crowd, which is also typical for any marketing strategy. Leveraging on this key element, crowdfunding can amplify almost any kind of communication activity, provided it is able to meet the needs of a community and to provide the benefits that the community expects. Therefore, if well exploited, crowdfunding is a powerful tool in the hands of marketers, whose potential goes far beyond the evidence of pre-selling a new product, to reach new marketing horizons such as branding, business development, CRM, credit scoring and even HR management.

Chapter 13

Legal Aspects and Regulation in Crowdfunding: Comparisons across Countries

Crowdfunding started with the donation-based and reward-based models, but soon its disruptive capacity to innovate the traditional approach to finance made it evolve into an alternative finance instrument, suitable to fund new business. Peer to peer lending and equity crowdfunding are investment instrument that can truly sustain the growth of businesses and generate profits. As any investment instrument, lending and equity crowdfunding are heavy regulated in order to protect investors and maintain a proper trust in the system. This chapter will go through the American and European main regulatory principles, offering a picture of the overall approach to this innovative and disruptive financing tool.
Chapter 14

How to Launch a Successful Crowdfunding Campaign

This chapter provides insights into the important characteristics of a successful crowdfunding campaign. It starts with providing the fundamentals of crowdfunding and shows the reasons why it is important to find the right target groups and communities for a campaign. It describes in details the Return on Involvement model, what the funders want in return for their support. In the second part the additional results of crowdfunding are discussed, such as market research, marketing, brand loyalty and the possibility to use crowdfunding to raise additional funding. The last part of this chapter will focus on the background of setting up and running a successful campaign.

Chapter 15

Real Estate Crowdfunding: 2015 and Beyond

Like a juggernaut, “crowdfunding” has hit the media, the financial markets and the common narrative by storm. Incipient in many ways, the intermediation of financing transactions online has become a billion-dollar industry. As technology has advanced, even recreated, industries, there seems none more primed than “finance”, an inherently information business. By creating improved efficiency, both art and science of finance are enriched. A 21st century vestige of the 1980’s syndication business, real estate seems to be enjoying the fruits of the crowd, with $1 billion of property financings conducted online in 2014, with an expected $2.5 billion this year. For sponsors and investors, there appears legitimacy to the online approach, underscored by the level of venture capital now finding home in this burgeoning sector. Yet, like its progenitor, might real estate crowdfinance find legislative, regulatory, and practical headwinds, stunting its progress? Still early, with business models, scalability and sustainability still suspect, the current momentum seems promising.

Chapter 16

The Application of Crowdfunding to the Energy Sector

Crowdfunding in energy begins as a response to reduced investments (both governmental and private) into the transition to decarbonized energy systems and to the spread of innovative business models and approaches conductive of greater participation of citizens and communities in distributed renewable energy projects. This chapter presents results of a worldwide overview of the use of crowdfunding in the energy industry. Evidence gathered from available energy crowdfunding platforms highlight a very new, but quite dynamic sector. The crowdfunding tool has been applied in most of its forms, ranging from peer-to-business lending to pure donation, with strong environmental and social mission and the explicit aim of increasing participation of citizens in sustainable energy investment. Evidence also shows that, despite maintaining their environmental and clean energy focus, some energy platforms have begun to move from niche, grass root initiatives into larger projects and collaboration with energy private sector and institutional finance.
Chapter 17

A Crowd-Funder Value Framework for Crowd-Investment: A Roadmap for Entrepreneurial Success in the Contemporary Society

Crowd-funding is used by business and social entrepreneurs to fund projects that impact society in many ways. Although crowd-funders fund and support entrepreneurial projects, stakeholders are less aware of crowd-funder motivations and behaviours towards products/services, which impact on the success of these projects. The purpose of this research, therefore, is two-fold: a) development of crowd-funder value framework for understanding crowd-funder motivations; and b) provision of robust theoretical basis to the construct of ‘crowd-funding’. Different social constructs, such as social identity, and symbolic, crowd and relational social capital related to crowd-funding are discussed based on symbolic convergence theory of communication and social identity theory. This framework will act as a roadmap to understand how crowd-funder motivations impact and create value for individuals, organisations and society, and inform how social, environmental and economic value and impact can be maximised through crowd-funding initiatives.

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ENDNOTE

1 Massolution report 2015.