

Exploring the Social Impact of Crowdfunding from an SME Perspective

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“During the preparation of this thesis, the student used no artificial intelligence tools “.

ABSTRACT,

Crowdfunding has become a newfound financing tool which has been adapted by many individuals and businesses to raise small amounts of funds from a large crowd of people. That is because crowdfunding is considered being a cheap and easy instrument to operate where you encounter less barriers compared to acquiring bank loans. It has turned into a trend for small to medium sized enterprises (SMEs) where they seek funding to support their operations. However, SMEs do not fully implement crowdfunding and moreover when the latter is requesting aid to support their social initiatives in employing people facing obstacles in entering the labor force. Due to the untapped nature of the topic, this research paper aims to find ways SMEs can utilize crowdfunding to expand their social impact. The research was performed through a qualitative approach by conducting semi-structured interviews to SMEs across Australia and the UK which have used crowdfunding for social purposes. Lastly, we believe that by exploring the experiences and challenges small firms encounter in this field, this paper will contribute to future research by enhancing the literature on the SMEs crowdfunding and social practices.

Graduation Committee members: Dr. Pauline Weritz, Dr. Xiaohong Huang

Keywords

Crowdfunding, SME, social impact, capabilities, marketing strategy, CSR

1. INTRODUCTION

Crowdfunding is a funding method which raises money through an open audience of people without using any institutional mediator (Schwienbacher & Larralde, 2010). Simply by using the Internet as an intermediary, many entrepreneurs can present their ideas to multiple different investors (Bradford, 2012). Crowdfunding is aimed at achieving either a financial-based purpose through an equity and debt-based model or a non-financial objective utilizing rewards and donations instead of monetary compensation to satisfy their supporters (Sayedi & Baghaie, 2017). Greater attention in recent years has accumulated the approach of small companies in adapting crowdfunding in not only terms of capital funding but also for non-financial purposes (Simons et al., 2018). Small and medium sized enterprises (SMEs) are the most common types of businesses which represent more than half of EU-GDP (Beck & Kessler, 2023). Despite having such an important role in the economy, SMEs face larger issues in finance attaining and credit costs compared to developed firms (Beck et al., 2008). They have constraints in attaining the capital they need because of the lack of information they give about their core business and thus transmitting a high level of uncertainty to financial institutions (Winborg & Landström, 2001). This is where crowdfunding's role comes in. According to Duncan Niederauer, crowdfunding has the prospect of being the main source of how businesses are going to be financed. It has the potential to not only be a financial supportive source for SME-s but also be a reliable platform of presenting innovative ideas to be supported and influence different social and occupational groups (European Crowdfunding Network & European Investment Bank, 2020). However, too little attention has been paid to how small entrepreneurial firms utilize crowdfunding to increase their social impact in different communities, especially regarding their initiatives in employing and training people from disadvantaged backgrounds (Benz, 2022). Consequently, we presume there are three major challenges that SMEs face when approaching crowdfunding at a social level.

Transparency is one of the key challenges SMEs face when dealing with crowdfunding. For a crowdfunding campaign to be successful, entrepreneurs need to disclose full information in terms of how the funds are used or the conduct of their actions in case of project failure to their sponsors (Fanea-Ivanovici, 2018). The higher the transparency level from companies the higher is the level of trust and the online donations among supporters (Hariwibowo et al., 2022). However, there are certain constraints that investors encounter which make them question whether they are affiliating with genuine fund seeking businesses or being manipulated (Moysidou & Hausberg, 2019). This comes as a result of the lack of capabilities SMEs have in fully informing their backers about their activities. For instance, SMEs reporting skills with the public mostly rely on personal communication transmitted by the managers themselves which shows them putting little effort into marketing campaigns leading to appear unreliable for investing (Gabrielli & Balboni, 2010).

Secondly, researchers have emphasized how crowdfunding can add value in not only the economic domain but also in the social and environmental ones (Hussain et al., 2023). This social value encompasses health, education, social order alongside creating job opportunities and personal development (Meyskens & Bird, 2015). However, it is difficult for SMEs to transmit their social value using crowdfunding for the general public to comprehend. This might come from the possibility of people being more likely to shift their behavior towards the ethical behaviors that prioritize their welfare over the good of society when they see more favorable effects on themselves (Berns et al., 2018). Therefore,

they have a lack of belief that SMEs are indeed seeking funds for expanding their social initiatives. Moreover, it is observed that the social orientation of crowdfunding may have an impact on the narrative of the campaign. Social orientation is termed as the degree to which campaigns promote societal issues as opposed to merely raising money (Manning & Bejarano, 2016). Thus, it becomes harder for the company to prepare a campaign that attracts the audience and makes them understand their social mission.

Key issues that determine whether small entrepreneurial firms could deploy crowdfunding campaigns depend on their capacity of resources and capabilities. It concerns whether SMEs possess the relevant resources to facilitate new practices such as crowdfunding (Greene et al., 1997). Furthermore, through their capabilities, SMEs use their resources to develop and acquire higher achievement of competitive advantage (Pulka et al., 2018). For instance, marketing capabilities may help SMEs to approach customer needs and wants in evolving markets (Tartaglione & Formisano, 2018). Hence, it is very important to narrate whether SMEs have the necessary resources and capabilities to implement crowdfunding in their operations.

1.1 Research question

Taking into consideration the above-mentioned challenges, this paper will focus on answering the following research question:

How can SMEs use crowdfunding to increase their social impact?

1.2 Academic relevance

The purpose of this research is to expand and deepen the literature concepts of crowdfunding from the SME-s perspective. There is a need to further understand the implications of how crowdfunding works internally and externally for an organization (Simons et al., 2018). The employment and social inclusion of people having difficulties in joining normal labor is still an unexplored area which needs further attention in terms of how companies achieve competitive advantage by exploring their cases in social inclusion (Khayatzaheh-Mahani et al., 2019). This research paper will provide an assessment of the SMEs crowdfunding projects as part of their social impact initiatives by evaluating the theory of corporate social responsibility only as the baseline of their social impact. This is because many previous studies fall short on analyzing social impact and put more relevance to a firm's CSR activities instead of focusing on the effects to society (Barnett et al., 2020). Additionally, It will give a specific address to the dynamic capability theory as a means for them to approach crowdfunding from the social perspective, centering around their marketing and human resources capabilities. Despite the fact that previous research has shown that human resources and their management are related to the services of small entrepreneurial firms, many people still believe that this field is understudied (Georgiadis & Pitelis, 2011). Moreover, it will also contribute to seeing how SMEs gain their competitive advantage through their capability's lens (De La O, 2015).

1.3 Practical relevance

From the practical perspective, this paper offers pragmatic strategies that entrepreneurs can use to better implement the crowdfunding method within their organization. For instance, SMEs managers will understand the implications that marketing capabilities have on achieving competitive advantage within the social spectrum (Odoro & Mensah-Williams, 2023). This

research will help to further understand and prioritize the social implications of a firm's crowdfunding campaigns. SMEs will also give suggestions on the ways firms may increase their CSR engagement in the employment sector by giving their personal suggestions and insights (Tan & Ho, 2023). It will provide the experiences of different SMEs and offer input on what type of crowdfunding is suitable for them. In accordance with their social value, their crowdfunding type may differ (Meyskens & Bird, 2015).

2. THEORETICAL BACKGROUND

In this section of the paper, we are going to explain and define the main variables of this research namely crowdfunding, SMEs, firm's capabilities and social impact. This is done in accordance with the notion that concepts serve as fundamental components of social theories, and the conceptualization process is how a researcher attains theoretical credibility for a given research question (Rao & Reddy, 2013). Furthermore, this thesis will focus on corporate social responsibility (CSR) and dynamic capabilities as its theoretical foundation to support the SMEs crowdfunding campaigns in their social contributions. Corporate social responsibility posits that companies possess an implied ethical obligation to society because their operations are facilitated by the community itself (Chatzoudes et al., 2015). In relation to this study, CSR theory can be further developed considering that previous research focused mostly on the understanding of CSR's impact on businesses and its benefits while the effects of this theory on societal issues remain less explored (Barnett et al., 2020). Therefore, this theory supports the research by sustaining with concrete results provided from SMEs using crowdfunding to facilitate their social initiatives. The dynamic capabilities theory will also be highlighted in this paper. The resource-based view and capabilities theory in our context relates to how firms plan their activities and services aiming on the social impact spectrum (Vézina et al., 2018). The relevance of this theory to this research paper is required given the limited resources firms allocate to these social initiatives and the unlimited scope of social needs which indicates the need to analyze how these social attempts can be optimized (Barnett et al., 2020). In the background of this research, crowdfunding is considered the strategy or tool that SMEs could develop to expand their social interventions. These theories are thoroughly incorporated and explained in the other sections of this chapter.

2.1 Crowdfunding concept

"Crowdfunding is a recently coined term in which "crowd" denotes for the 'large public' and "funding" refers to the operations of 'financing'" (Sahmi et al., 2021). It is an online intermediary platform where several donations are gathered instead of a single sizable payment (Wheat et al., 2012). Crowdfunding platforms act as moderator between the donors and founders where the latter's objective is to raise the required sum of money to fund their project (Fanea-Ivanovici, 2018). Donors are able to distinguish between different investment opportunities by assessing a company's quality and human capital factors. Through the crowdfunding platforms investors and entrepreneurs have better facilitation in communicating with each other and a reduction to the information access costs (Mora-Cruz & Palos-Sanchez, 2023). Another definition of this concept is given by Mollick (2013) where he states that crowdfunding enables the creators of profit-maximizing, creative and social endeavors to raise capital from a substantial number of internet users. We can say there are many definitions for crowdfunding but what they all have in common is the fact that there is not any financial facilitator in the process (Miglo, 2021). The method of crowdfunding is divided by four main models: equity-based, debt-based, donation and reward based (Zhao et al., 2019).

2.1.1 Reward based crowdfunding

In this crowdfunding model, online investors make their donations to their preferred project by getting a reward in return (Tafesse, 2021). All the rewards are non-financial compensation, and they are divided into three categories: recognition, services and pre-orders. Recognition is intangible compensation given by founders in the form of appreciation notes or simply putting the contributor's names on the website whereas services come in the form of special tribute experience of the product etc. Through the method of pre-order, all of the supporters of the campaign get prior accessibility to the product compared to the general audience giving also early feedback on it (Shneor et al., 2020). Moreover, the entrepreneurs will ensure broader approval and acceptance of their project proposition (Leone et al., 2022).

2.1.2 Donation based crowdfunding

In the case of donation-based crowdfunding, the donors give funds when they truly want to endorse its purpose without getting any compensation in return (Salido-Andres et al., 2020). The funders donate in terms of how much the campaign's cause relates to their values (Um, 2024). In other words, donation crowdfunding is driven by a sense of responsibility and altruism of the donor. The crowdfunding donation platforms put donors in direct contact with fundraisers focusing mostly on local projects (Baeck et al., 2014). However, the effectiveness level of the donation platform will rely on whether the donor's fondness and the project's attribute will match each other (Kamarudin et al., 2023).

2.1.3 Equity based crowdfunding

In the equity based crowdfunding model, every type of investor is allowed to acquire the organization's shares in return of their proportional earnings (Jegelevičiūtė & Valančienė, 2014). Thus, investors will get shares in return when they are willing to invest in the company (Miglo, 2022). This type of crowdfunding has a higher level of importance due to the fact that it includes securities in the process. Even though the reward-based model has greater popularity, the equity-based crowdfunding is able to raise higher capital (Hossain & Oparaocha, 2016). When the predetermined target is reached, the deal ends among the issuer, platform and supporters. Moreover, the platform itself requests monetary compensation among users. What differentiates debt-based crowdfunding is that money is the only trading means in between (Jenik et al., 2017).

2.1.4 Debt based crowdfunding

Through debt based crowdfunding platforms, backers provide loans to companies or individuals while interest payments serve as their monetary compensation (Landström et al., 2019). In the case of debt or lending based crowdfunding models, support and resources are requested from investors in exchange of interest. (Miglo, 2022). In other words, debt-based crowdfunding is quite similar to typical loans but in our case the loan is provided by the crowd and not the bank where the business pays the interest in a predetermined period (Narendra, 2024). However, the risk is more enhanced in this case because there are no legal guarantees to guard borrowers from returning the capital (Ghasemi et al., 2024). The crowdfunding platforms using debt-based models earn value by supporting the capital exchange process between debtors and investors (Xiao et al., 2019).

2.2 Small and medium-sized enterprises (SMEs)

A firm is defined as a small and medium sized enterprise if it fulfills the following criteria of recruiting less than 250 employees, not surpassing a 50 million EUR annual turnover rate and lastly having less than 43 million EUR in their balance yearly balance sheet (Koutsopoulos, 2021). The concept of SME-s is further diversified to medium firms with 50 to 249 employees, small firms that hire within the range of 10 to 49 people and micro enterprises with less than 10 employees (Bayraktar & Algan, 2019). SME-s are the mechanisms which have a crucial role in impacting a country's employment level, its earnings coming from tax and most importantly the economic outcomes (Lu, 2018). They account as the foundational backbone not only for the developed countries but also for the emerging economies (Bokhari, 2022). They support 60% of employment level and 40% of the GDP statistics (Bayraktar & Algan, 2019). Not only are they important from the financial aspect but they also make a significant contribution to societal well-being and its technological progress (Kannan & Gambetta, 2025). However, due to the crisis of business survival and the ever-changing market dynamics SME-s fail to recognize or adapt into innovative opportunities (Oduro & Mensah-Williams, 2023). Relating to this, this paper will only focus on how SMEs approach crowdfunding from a non-financial aspect.

2.3 Firm's capabilities

We cannot talk about the capabilities a firm holds without mentioning their resource level as an antecedent. The theory of resource-based view aims at those types of resources which are valuable, rare, unique, and hard to imitate so as for a firm to achieve a secure competitive advantage (Chumphong et al., 2020). The resources and capabilities of SME-s act as tools for them to identify and capture opportunities (Sarfo et al., 2024). Aligning it with the SME-s crowdfunding possibilities, RBV helps in comprehending the impact that resources of founders have on the crowdfunding campaign success (Hoque, 2024). Dynamic capabilities are the intangible properties of SME-s which originate from the two concepts of dynamic as of being able to adapt to innovativeness and the capability constructing aiming to transform resources into a new group of sources (Rodrigues et al., 2021). In other words, this concept assesses a firm's capacity to develop their skills to align with market change (Cavusgil & Deligonul, 2024). Capabilities are divided into three main subcategories, namely sensing which assists in collecting data from external markets, the element of seizing aiming in benefiting from opportunities and lastly reconfiguration entailing the ability for a firm to have competitive advantage while transforming its resources. (Akenroye et al., 2020). To delve more into these elements, sensing considers systems which filter opportunities that businesses could use to gather data to comprehend their customers' needs. Seizing argues the need that SMEs have in capturing these prospects in a competitive market. Reconfiguration is divided into exploitative reconfiguration which utilizes what the company already possesses and explorative reconfiguration that merges new outlets with what a firm currently holds (Akenroye et al., 2020).

The dilemma holds on to whether small entrepreneurial firms hold the needed capabilities in order to cease crowdfunding from a social perspective. In this paper we are going to focus more on the capabilities that firms currently possess to develop a crowdfunding campaign, specifically prioritizing their marketing potential and the available human resources they hold. The

performance of a company is significantly impacted by its marketing capabilities compared to other capacities. The term "marketing capability" represents the tools and routines that assist a firm in conducting their marketing operations and react to the market sentiment (Kamboj & Rahman, 2015). When it comes to identifying consumer demands, competitive technologies or targeting channels, the marketing resources and their capabilities are exceptional. Therefore, the knowledge they acquire from the market acts as an agent for a business in attaining a high market adaptation (Barrales-Molina et al., 2013). As mentioned above, another component that is necessary to evaluate our research is the human resources that SMEs have and use in the context of crowdfunding. In order to provide the company with a long-term competitive edge based on distinctive assets, the HR system helps to create the human capital that identifies the essential competencies (Wood, 1999). High performance work practices also recognized as HRM practices comprise thorough recruiting and selection processes, performance monitoring systems and employee training initiatives. However, SMEs are less likely than larger organizations to have human capital and implement advanced HRM techniques according to previous research (Georgiadis & Pitelis, 2011).

2.4 Social impact

In this chapter we will explain the concept of social impact and its relevance to SMEs, taking a special focus on their employment initiatives. Moreover, we will also discuss the concept of Corporate Social Responsibility as a foundational baseline for a firm's social impact initiatives.

Social impact can be defined as an organization's ability to make their changeable contribution. Other research papers have also conceptualized it as the non-economic shift established from a firm's activities (Nechaev & Hain, 2023). It includes any change to the social economic and environmental goodness generated from a firm's activities (Riggin et al., 2019). The social impact phenomena has been associated with various concepts namely social performance, social returns or social accounting all coming from various areas namely education, the sustainability of the environment and many more (Rawhouser et al., 2017). What all these definitions have in common is the fact that the firms themselves should be the ones evaluating whether their projects have any effect on society and how they amplify their goals as a company. A firm's social impact receives its relevance from its contribution to a firm earning a favorable standing among the industry or the probability of employee productivity enhancement (Cerioni et al., 2021). It also circles around its stakeholder's contribution by selecting and including them in the process. The social impact process should be not only ethical but also transparent in informing and respecting the society (Bice, 2014). For the purpose of this research, we will focus on the need that SMEs see in employing people facing difficulties in joining labor as their social impact. The quality of employment is defined in a way that takes into account employees' well-being (De Kok et al., 2011). Employment is a crucial element for the well-being and quality of life of people because it offers them the possibility to become financially independent. However, people are confronted with occupational barriers. These obstacles are conceptualized as special conditions which are related to either the person or its surrounding environment that make their workplace advancement challenging (Khayat-zadeh-Mahani et al., 2019). This can include the demographic changes in age, societal perceptions and the shortage of skilled labor (Schloemer-Jarvis et al., 2021). Also, people with disabilities are part of this group where they are further defined as those who have

continuous physical, mental and sensory difficulties when dealing with employment (Vornholt et al., 2017).

Corporate social responsibility (CSR) focuses not only on the economic area of a firm but also takes into consideration the broader societal and environmental aspect by managing its financial interests with the stakeholders' issues (Le, 2022). A firm's social responsibility corresponds to whether its activities pertain to social responsibility, responsiveness and measurable outcomes related to its ties with society. CSR initiatives assist SMEs in delving into crucial sectors including economic and environmental responsibility as well as its employees and society welfare (Khattak & Yousaf, 2021). In other words, knowing its positive effects they devote themselves to different CSR initiatives in order to tackle their social issues and maintain their ethical image (Liu et al., 2022). Crowdfunding projects are one of those initiatives. Corporate social responsibility helps in promoting crowdfunding activities that a firm undertakes by linking the donations with social activities.

3. METHODOLOGY

3.1 Research design

The research of this study was conducted using qualitative methodology to answer the research question. Qualitative research is performed to understand different experiences and perspectives behind peoples' standpoint (Hammarberg et al., 2016). The research was performed using semi-structured interviews with the aim of exploring the means and reasons which SME-s employ on social crowdfunding projects. So, the people who are experiencing this phenomenon can provide real-time information through semi-structured interviews (Gioia et al., 2012). A great emphasis on this research was given on how SMEs are considering their initiative in hiring disadvantaged people who have struggles with joining labor. All participating firms had part of their enterprise values the niche focus of training and employing individuals having marginalized backgrounds, preventing them from finding appropriate jobs. This paper centered around this specific domain of social impact for the following reason. Primarily, employment is considered an important aspect of a person's wellbeing and material enhancement. However, many people face the problem of employment marginalization where they deal with issues related to their work competency or their job demand fulfillment (Lysaght & Cobiago, 2014). Before starting the research, an ethical approval was requested to the Ethics Committee of the University of Twente. This was performed to maintain the ethical standards and participants anonymity in order to receive their consent to participate.

3.2 Target sample

The sample of this research was focused on the United Kingdom and Australian SME market which are currently using or have utilized crowdfunding platforms before. Moreover, the research methodology includes SMEs which have approached crowdfunding from a social perspective. The sampling method used in this research paper is purposive sampling. This method aims to select individuals who are knowledgeable and have certain experience with the research topic, so it is determinant on its participant qualities (Etikan, 2016). It is one of the most common sampling procedures used in research because it ensures higher reliability and no occurrence of biases in the data finding (Nyimbili & Nyimbili, 2024). In the context of crowdfunding, the participants should be well informed about the topic. Additionally, the SMEs should have fulfilled the following

criteria to be selected for the research. 1) All SMEs should be using crowdfunding or have used crowdfunding in their operations. 2) Part of their social mission is to employ and train people having difficulties in joining normal labor. This research aimed to reach out and interview ten SMEs to understand the firm's background on crowdfunding and their intentions on implementing it. However, only seven interviews were conducted where four SMEs were from Australia and three SMEs were residing in the United Kingdom. The fourth interview differs from the other ones because two employees of the company were interviewed whereas the rest of the participating SMEs had one interviewee representing them respectively. Additionally, there is a chance that the number of participants will foresee the saturation effect from occurring. Saturated analysis happens when there is not any new information appearing in the collected data (Mandal, 2018).

3.3 Data collection

Before approaching the participants, desk research was conducted. This was done for the researcher to understand the crowdfunding dynamics and operations of the SMEs. Internet-based research was performed to identify the firms that had adapted crowdfunding and how they did it. Desk research, also known as secondary research, consists of existing data assessment from published reports and articles (Gupta, 2024). Additionally, the main crowdfunding platforms were overseen to check the campaigns that covered social causes to filter out the firms representative of the research. After getting the relevant information about the SMEs, the elected firms were contacted via email and contact firms to inquire about their participation in the research. Subsequently, the interviewing process began. Interviews aim to narrate and interpret the meanings out of the participants' storytelling (Moser & Korstjens, 2017). The interviews were conducted online based on the interviewee's preference. Each interview lasted approximately 45 minutes long, which were recorded by getting the participants' consent and ensuring them full confidentiality. An interview guide was prepared beforehand which covered the relevant topics discussed in the crowdfunding context. The interview questions were based upon the guiding themes of crowdfunding, the firms' capabilities and social impact which are the key variables assessed in the research. However, there were also possibilities that new topics came up during the interview that the guideline did not cover (Moser & Korstjens, 2017).

3.4 Data analysis

A thematic analysis approach was used to analyze the data gathered from the interviews. Thematic analysis is performed to find patterns or themes in collected data which can come from interviews or transcripts (Naeem et al., 2023). According to Braun and Clarke (2006) there are six relevant steps taken while conducting a thematic analysis. We start with data familiarization where the researcher goes through the collected data, the coding process where you generate a list of codes based on the reading analysis of the transcript. We then continue with theme search based on the list of codes you come up with, the reviewing of themes which aims at seeing if the generated themes are coherent, defining and naming the themes where the refinement is done to see their relevance to the concept. Lastly, there is the write up process where the storytelling of the data is performed (Braun & Clarke, 2006). This research method was used to understand the relationship that the variable of crowdfunding has as a mediator between their firm capabilities and competencies and their social impact. Moreover, this research used the Gioia

methodology to analyze the data gathered from the semi-structured interviews. This methodology approach is used in qualitative data analysis to provide grounded theory to support trustworthy research (Magnani & Gioia, 2022). The steps of the Gioia methods included the first order concepts taken by the conducted interviews (informant-centric), the second order themes which dealt with the data endorsement and understanding on the theoretical background of the constructs, the aggregate dimension where the researcher delves into the second order themes to give a theoretical model and finally the last step consisting of the data structure building which included the first order concepts, second order themes and the aggregate dimensions. A detailed analysis of how this method was conducted is provided in the results sections of this research.

Number	Country	Gender	Position	Industry
Interview 1	Australia	Female	Marketing Manager	Food & Beverage
Interview 2	Australia	Male	Directing Manager	Transportation
Interview 3	Australia	Female	Chief Relationship Manager	Hospitality
Interview 4	Australia	Male+ Female	COO+ Impact and Inclusion Officer	Hospitality
Interview 5	UK	Male	Manager	Health & Social Care
Interview 6	UK	Male	CEO	Education & Media
Interview 7	UK	Female	Marketing Manager	Hospitality

Table 1. Research Participants

4. RESULTS

In this section we are going to analyze the insights gathered from the semi structured interviews. As mentioned in the methodology section, seven interviews were conducted to explore the crowdfunding experiences that different SMEs across the UK and Australia had to enhance their social initiatives in the employment sector. Their insights were categorized using the Gioia method and the generated concepts are illustrated in the data structure below.

4.1 Firm's competence

Numerous first order concepts were issued to evaluate whether a SME has the necessary tools and manpower to undertake a crowdfunding project. Under the umbrella term of a firm's competence, they were categorized into two second order themes including human resources and marketing abilities addressing the promotional capabilities of the SMEs.

4.1.1 Human resources

When all the interviewees were asked about their company's respective experience in managing and supervising the crowdfunding campaign only one out of seven interviewees explained that their experience with crowdfunding was well managed by them in terms of human capital. Particularly, the first interviewee said the following: "Since this was our first crowdfunding campaign, we had to be cautious in making it. A cross-functional team of people from different departments was created to follow the progress of the campaign. I represented the marketing department, but I had other colleagues from the sales, financing, IT and operations departments". Apart from this case, every other participant claimed that they were very little staffed as a company and did not have the funds to hire external people to assist the process. The third interviewee said that only two employees were in charge of the campaign. "We ran this with two staff members – The Marketing Manager and the Chief Relationships Officer". The fourth interviewee explained that he was the manager of the campaign and he oversee everything. "I check everything related to the campaign. Sadly, that is because it is something we do not have the capacity for.". The seventh interviewee also mentioned that they did not have many people supervising the campaign: "So it was just our first crowdfunding piece, but we have very few people. There was only me and our CEO on the crowdfunding project". Moreover, given its critical role in a company's performance, human resources is undoubtedly one of the first factors that investors consider before providing investment. It is anticipated that businesses with high human capital will operate more effectively and draw in more cash and investors (Barbi & Mattioli, 2019). In other words, for a crowdfunding campaign to be successful, a company needs to have the human capital to manage everything and be able to deliver the social mission of their business to the investors.

4.1.2 Marketing abilities

Marketing is the tool which helps in promoting the company's crowdfunding initiatives and makes them visible and acknowledged to the general public. Each interviewee was asked what their main marketing strategy was during their crowdfunding project. All of them used social media advertisements in all of their main platforms particularly the fourth interviewee said: "Realistically, the only kind of marketing we go through is social media, and that's a very small spectrum". The sixth interviewee mentioned the following: "We focused heavily on social media (Twitter/X, Facebook, LinkedIn). Our strong community, authentic storytelling, and network of supporters have been essential". Moreover, email marketing was very much used by all of the companies interviewed during the campaign to inform their backers and after the crowdfunding finished notifying them about the results. The second interviewee said: "Probably most of our capital went to digital marketing. Email marketing, putting together all of the video content, social media platforms etc. But in the digital marketing campaign, email marketing resulted in the most successful part in our marketing strategy". The seventh interviewee was personally working in the marketing part of the campaign, and she said: "We sent an e-mail marketing push out to show our gratitude to let them know that we did raise the money and I also sent an individual thank you email to everyone for supporting us". Almost all the participants claimed that the funding came from people that they already knew. The second interviewee explained: "Out of all of the money that we raised, 96% of it came from people that I already had connections with before". When asked about what side of marketing they would have done differently, the sixth interviewee said: "We didn't

have the budget for paid ads or professional PR, which limited our reach. A dedicated marketing lead or graphic designer would have helped refine visuals and boost wider impact”. Adding on this, the seventh interviewee said: “In the future, I’d tie the campaign to an event (like our community carols or comedy night). Moreover, engaging a media partner in advance to champion our story would also be a priority “. All these statements claim that for a crowdfunding campaign to be successful, SMEs need to allocate a certain level of capabilities mostly aligning with their marketing scope and have the necessary manpower to manage the efficiency of their fundraising efforts. This corresponds with the dynamic capabilities and resource-based view theory where firms see the prerequisite for having the necessary inputs in order to implement crowdfunding.

4.2 Crowdfunding utilization

Crowdfunding in this research is treated as the mediator to see how firms can utilize it as a tool to enhance their social impact in employing people having difficulties in joining labor. Particularly, the gathered data focused on the cause why SMEs chose crowdfunding for raising funds and what peculiar benefits besides the financial target were they able to secure. All the first order concepts belonging to these categories were grouped into two main second order themes: fundraising opportunities and the rationale behind crowdfunding.

4.2.1 The rationale behind crowdfunding

The most used crowdfunding type which four out of seven SMEs had chosen to perform their funding campaign was the donation-based crowdfunding, following up with two other businesses having accomplished rewards-based campaigns and lastly one SME had conducted an equity crowdfunding campaign. The company where the fourth interviewee was working had chosen a donation-based crowdfunding and the reasoning behind this was stated: “We used a donation-based crowdfunding. For people to actually support us we didn’t just give a set money target for all, but we made sure to give four or five set financial ones and say what the money is going to be used for. We have to say like I donated this much, and this is what you are providing to make it more tangible”. A reward-based crowdfunding was chosen as the most suitable fundraising type according to the third interviewee: “The most successful part of the crowdfunding campaign was a gift voucher system where our corporate customers could purchase gift vouchers for future catering – e.g. \$1000 gift vouchers which they could redeem throughout the year to purchase their corporate catering “. In this case, the donors received a perk and felt appreciated about their contribution. Lastly the second interviewee was the only participant whose company had used equity-based crowdfunding. When asked about the justification behind this choice, he said: “We used an equity crowdfunding platform where people invested and got the shares of the company. At the end of the day, we wanted people to feel as though they were part of something and not simply putting money with nothing in return”. When asked respectively about their experiences on the crowdfunding platforms, they agreed that the general audience requested a clear and open funding process. Particularly, the seventh interviewee mentioned the following: “People need to see clearly what their donation supports.”

4.2.2 Fundraising opportunities

All the interviewees were asked about what they thought were the other benefits crowdfunding offered to them despite the primary reason for reaching their financial target. The fifth interviewee answered like this: “I think we are quite well known locally, and we have a generally good reputation. We’re hoping we will draw new people to us through crowdfunding that we perhaps wouldn’t find otherwise.” Moreover, a second claim similar to the previous one was made by the seventh interviewee saying: “It was a quick process to verify and launch the campaign. It was community-focused, and it offered match-funding opportunities “. So, they were able to exploit crowdfunding and test the market by expanding their customer base and building their local community audience. The sixth interviewee added more on this by saying the following: “Through crowdfunding, we received the ability to get a whole lot more exposure through the process. The campaign helped us attract media attention, new partners, and industry allies who now help spread the word”. All these statements strengthen the additional prospects that crowdfunding provides in terms of broadening the SMEs brand recognition and visibility.

4.3 Social reasoning

Social reasoning as an aggregate dimension delves into the purpose why SME-s chose this specific niche focus on employing and training disadvantaged people in joining labor. We gathered their insights and causes which were grouped in two main second order themes particularly in the domains of how the firm sees its obligations to society and secondly their collective interventions and operations

4.3.1 Firm’s societal obligations

All the participants claimed that the reason behind working for each of their respective firms was because they had encountered unique experiences in their life, making them also see the social aspect of their actions outweigh the financial issues. They mentioned that doing a good deed and acting on moral duty was what they as mere SMEs were striving for. Particularly, the second interviewee made the following statement when being asked about their social purpose: “My end game as a founder of this business is to employ as many people as possible. If we end up with a whole stack of money in the bank, we can donate it back to the disability spectrum”. They do not see the financial aspect of their operations but fight for their social cause. The third interviewee said: “We are a commercially viable business creating profit to do impactful work”. As a firm they see the need to prioritize their social targets when dealing with the ethical dilemma of either being financially stable or helping those in need. Three out of seven interviewees stated that they try to maintain the balance between their social claim in employing marginalized people and the other side of fulfilling the monetary obligations so as to maintain a holistic overview of both sides. The first interviewee stated that the antecedent behind their SME success is as follows: “A successful model in our case was achieved through providing the refugees with cooking skills so they could feed their communities and at the same time create income”. Moreover, the fourth interviewee went through the way his SME had initially started by claiming the following: “The set up of our enterprise was seen as a means to fill two kinds of gaps, one of which was related to the shortage in the hospitality and tourism industry and the other to actually help people”. Both of these statements clearly show that it is not necessary and obligatory to prioritize one stance over the other as long as the business itself can manage both accordingly. Without the

emotional hook you cannot really deliver your social value to your audience. Since SMEs fight for their social cause also their crowdfunding campaigns need to be representative of what their business is all about. However, that is also hard to achieve as their social impact of employing and training disadvantaged people is not a tangible thing that the donors can easily grasp. Specifically, the seventh interviewee claimed: “So I think the best practice from the research that I've done is to make sure that you're trying to tie your crowdfunding into a real-world event. Your campaign should have something that people can really kind of latch on for them to understand. Moreover, the second interviewee mentioned the following from his experience with crowdfunding: “What I think made our crowdfunding campaign noticeable to our investors was the narrative of our social mission. As a business we were able to tell our story to also invoke the emotive value into it. Before we started the campaign, we were worried because traditional crowdfunding is mostly used for tangible products. If not, it's the concept or idea”. Additionally, a strong point as to why all the SMEs were focused on the employment sector from the social perspective came behind the issue of the low employment rate. The seventh interviewee mentioned: “We are committed to tackle the employment rates of people with long term unemployment or marginalized background in the country”. The employment levels are decreasing daily, and something should be done to tackle this. This is what all the interviewees claimed and the following sector details on the specifics behind their actions in supporting their mission.

4.3.2 *Firm's collective interventions*

All SMEs had dedicated specific training programs to help these employees to adapt to the labor market. When asked about how their business works with the training program, the first interviewee stated the following: “We work with several community organizations to receive referrals for future trainees. Interested candidates are interviewed and assessed against eligibility criteria, some set by the government and others by the job itself. We offer strong support throughout hiring and training these people”. Additionally, the third interviewee explained: “Our focus is on young people who are facing barriers in employment and have marginalized experiences. The programs we offer are considered pathway programs. They are gaining one on one support through our youth and social workers, work readiness program and then real-life work experience shifting in our hospitality businesses. We aim to support both employees and employers throughout this journey”. Similar to this approach, the fourth participant claimed the following: “Interested people come through to us and we train them. We keep it reasonably flexible in terms of how long a participant is here because everyone learns differently and needs different levels of support. Once they graduate from their training programme, we try it all out. We do a lot of work readiness support as well as hands-on training in the hospitality skills and we help them apply for jobs”. They understand that every person has the chance to explore, and they do not have to stick to the work position they offer in their organization. Moreover, the second interviewee provided interesting insights on how people being long-term unemployed could use their organization as a transition to having more opportunities in finding a job. “The difficulty with most of those people in finding work stands in a number of things. Firstly, if you're currently unemployed, the chances of you getting employed are very slim. It's like about 8%. If you've got a job, even the chances of you getting another job are 70%. So, what we do is encourage these individuals, it doesn't matter who you are. Take a part time job with us. That then goes on to your resume. When you hand your resume to the

next employer, you move from 8% to 70%. Right? So, we are a transitional pathway into that other work, whatever that other work happens to be”.

5. DISCUSSION

In this section of the paper, we are going to discuss the results generated from the interviews and interpret them using the relevant theories from the theoretical background.

This research thesis aimed to explore potential ways SMEs could use to enhance their social impact by utilizing crowdfunding platforms. The main variables extracted from the findings of this thesis are the firm's competencies, crowdfunding utilization and social reasoning. The crowdfunding is the mediator of the relationship.

The level of resources and capabilities is what enables SMEs to conduct their operations and daily activities. Their capacity in managing to facilitate the company's projects reflects their ability in conducting crowdfunding campaigns. From the interviews two main factors were identified including the marketing abilities and human resources. According to the findings, all the firms valued and had performed a marketing strategy during the crowdfunding campaign. The relevant digital marketing promotions were performed with a special focus on the social media platforms of the company. Moreover, email marketing was developed for post-campaign activities to show gratitude for the supporters on their contribution. These insights are related to the theory of capabilities particularly in the marketing domain where SMEs are able to be present and use the relevant marketing packaging tools to promote. Human resource management is the other force evaluated as an important indicator to help SMEs in managing the whole crowdfunding process. Supporting the theory of resource-based view and human resource management, a firm should exploit their human assets and capabilities. However almost all participants did not have the required manpower to supervise everything efficiently. To have a feasible campaign, it is necessary for SMEs to hold enough workforce so as to cover every aspect of the crowdfunding campaign up to and including marketing, PR, financial managing and campaign manager.

Another dimension came in the form of the utilization of crowdfunding from our conceptual framework. Two important aspects were mentioned in support of crowdfunding, the rationale behind crowdfunding and its fundraising opportunities. From the gathered data of the interviews the donations-based crowdfunding was the most used type of fundraising whereas equity crowdfunding had the least number of votes. The reason behind this choice circulates around the appeal supporters get from the social mission regarding the development of the crowdfunding campaign. Moreover, it also indicates the philanthropic value where the backers are only donating money without accepting anything in return. This conforms to the theory of corporate social responsibility (CSR) that SMEs fight for expanding their social outreach by not only focusing on the economic perspectives of their business. According to the donation based crowdfunding principles, there needs to be a match between the campaign's purpose and the donor's empathy for the cause. The interviews showed that this relation was achieved in most cases. The second topic associated with the crowdfunding dimension deals with supplementary opportunities that SMEs gain from fundraising. Building a solid customer networking base and gaining brand visibility were the main benefits SMEs gained in addition to fighting to reach their financial target. Consequently, reaching full exposure and brand recognition act as an antecedent for a successful campaign.

The third dimension extracted from the interview's findings deals with the social reasoning of SMEs. Particularly it delved into the firm's social obligations to society and the collected interventions they performed circling around the employment initiatives of people with a disadvantage to join labor. The insights dealing with the societal obligations of the small firms were central to how each business considered their actions and social initiatives as moral duties by taking a holistic approach in conducting their operations. These findings further validate the corporate social responsibility theory (CSR) where firms take a comprehensive approach to the societal and environmental domains. In other words, SMEs recognize the need to delve into the social responsibility spectrums of their businesses to be able to transmit their emotive hook across the general public. Lastly, the collective initiatives of SMEs consist of the efforts they undertake to support marginalized people to enter the job market. All the SMEs participating in this research had developed training programs to support their social mission and were raising funds to enhance the development of these specific programs directly or indirectly. Thus, it is highly important for campaigns to represent the actual reasons behind their launch resonating with their social missions and operations

5.1 Theoretical implication

The purpose of this research was to provide thorough comprehension on the ways SMEs can use crowdfunding as a mediator to support their social activities. By using the resource-based view and the capabilities theory, we could apprehend the elements that are required for SMEs to implement crowdfunding in their operations. Through understanding these implications and the necessity of the firms to have a level of marketing capabilities and human manpower which are the two main capabilities generated from our findings, the theoretical literature stance is supported. The results of this research indicate that both marketing abilities and the SMEs workforce serve as determinants for a successful crowdfunding campaign resulting in them enhancing their social initiatives further.

Additionally, it contributes to the corporate social responsibility theory (CSR) by reinforcing the implications of previous studies on the reasoning behind SMEs supporting social practices. One of the many implications of corporate social responsibility in the context of SMEs explains that if the latter takes part in corporate responsibility initiatives that benefit stakeholders and the environment, the company's long-term success and social value increases (Andriyani & Rochayatun, 2023). This research's findings demonstrate that different SMEs take the holistic approach when undertaking crowdfunding projects by considering both economic and social values when supporting their crowdfunding concept and social which is what the CSR stands for.

To conclude, the insights of this paper contribute to the growing literature related to the resources and capabilities theories and corporate social responsibility theory linking them as managing forces for SMEs crowdfunding experiences. The research of SMEs using crowdfunding from the social perspective is still an underdeveloped topic in current literature. Therefore, future research could use the findings of this paper as inputs for further study.

5.2 Practical implications

From the practical perspective of this research, SMEs could use the findings to implement accurate strategies when deciding to

use crowdfunding for raising funds. Through our findings, we discovered that the promotional marketing activities and putting the time and human manpower during the whole campaign process is what resulted in an efficient crowdfunding. Thus, it is recommended that SME managers could use the gathered results and learn from other firms' experiences. For instance, the insights of this paper suggest that for a SME to accomplish and reach the crowdfunding target, they need to have the staff's capacity to oversee the entire process since this was an issue every SME participating in this research encountered. This research also encourages SMEs to contribute to increasing the employment rates by considering hiring disadvantaged people facing obstacles in entering labor. Our observations show that they used crowdfunding to support their social mission in this niche category. Therefore, SMEs could take into consideration the crowdfunding approach they implemented to raise their social presence to society.

5.3 Limitations

Like any other research, this paper has its limitations. To begin with, the sample size of this study is small. There were only seven SMEs which participated in the research. Therefore, that might not be representative of the whole target group. Moreover, there is a high chance that the saturation effect appeared during the research because after the fifth interview no more new data appeared. If more interviews were conducted, there is a high probability that more insights could have been gathered. Secondly, this research was focused only on the Australian and UK market so the results of the research might not be translated to other countries' SMEs regulations and crowdfunding properties. In other words, it becomes harder for the information to be fully generalized in other contexts. Lastly, this paper selected SMEs which had a special focus in hiring people with a disadvantage in finding a job. This approach is too niche and specific which makes the research difficult to apply to other SMEs having a different social scope.

5.4 Future research

In this section we are going to recommend directions that future research might follow linking with the limitations mentioned above.

Firstly, future research should include more samples in the research. This is advisable because the data will become more representative of the population target and be able to gather better insights into the research topic. Moreover, it is recommended for future research to consider performing a quantitative study beyond qualitative research to gain more statistics and information around the topic. For instance, through a quantitative study the research could better measure the main variables of SMEs capabilities, crowdfunding and social impact to further analyze the relationships between all three. This way, the power of the study increases, and the results become more legitimate. Lastly, future academic research could do a comparison analysis between different SMEs belonging to two or more industries. By doing this, they might discover secondary effects that could occur between the variables which might be caused by the industry they are positioned in.

5.5 Conclusion

This research thesis was focused on answering the following research question:

How can SMEs use crowdfunding to increase their social impact

By conducting interviews across Australia and the UK with SMEs from different industry backgrounds, relevant insights and factors were identified which can assist small firms in their crowdfunding campaigns. After detecting these factors, data structure creation was followed to assist in the concepts categorization under aggregate dimensions aligning with the Gioia methodology used in this qualitative research. It was shown that through marketing promotions and retaining a significant level of human resources, SMEs can implement crowdfunding to secure additional funding for their social impact initiatives. This paper provides valuable observations into how various SMEs can focus more on the social aspects of their activities by using crowdfunding as a helping assisting tool. Additionally, the findings of this research can direct future academic studies to further delve into the relation between the SMEs and crowdfunding in the social spectrum.

6. ACKNOWLEDGEMENTS

Finally, I would like to express my earnest gratitude to both my supervisors, Dr Pauline Weritz and Dr. Xiaohong Huang, for their help and support throughout the whole thesis project. Additionally, I want to offer my sincere appreciation to all of the interviewees who agreed to be part of this research and showed their outmost assistance in helping me gather the relevant insights to answer the research question.

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8. APPENDIX

Appendix A: Interview guideline

Introductory questions

- Could you briefly talk about your background and your position in the company?
- Would you be willing to share your journey behind joining the company? In other words, what was your motive to accept this position?
- What do you believe the company offered you in terms of values and opportunities?

Questions about Social Impact

- What was your organization's goal for using crowdfunding? What impact did you aim to achieve?
- What is the reason behind your organization giving a special focus on supporting disabled people who face difficulties in joining labor?
- What is the company approach and procedures in hiring and training these individuals?

Questions about Crowdfunding

- Could you walk me through the process the company undertakes in creating a crowdfunding campaign? Who is involved in the project? Do you create specific project teams to oversee the campaign?
- Could you describe one of your crowdfunding campaigns? And what platform did the company use to present the campaign?
- How would you describe the results of that crowdfunding project? Did you achieve what you as a company had set as your goal?

Questions about Capabilities

- What would you consider were the organization's core resources and abilities that helped the implementation of crowdfunding?
- What was your marketing strategy? Did you use any social media platforms to promote the campaign?
- Looking back at your crowdfunding campaigns, what was one element from the marketing area that was missing or underdeveloped?
- How did the organization communicate the results of the campaign to the audience? Did the organization have the capacity to keep the backers updated throughout the whole campaign?

Appendix B : Data structure visualization

