

Crowdfunding for Sustainability at SMEs

Academic Report

June 21, 2014

Prepared by:

Sanjin Zeco
Dirk Propfe

Prepared for:

ENBUS 690 - MEB Capstone Project
Dr. Blair Feltmate
University of Waterloo

Table of Contents

Introduction	4
Project Focus.....	4
About ET Group.....	4
Sustainability at ET Group.....	4
Sustainability in the Collaboration Technology Industry	5
Data and Methods	6
Journal Articles.....	6
Books.....	6
ET Group Documentation	7
Internet Search	7
Crowdfunding Workshops	7
Survey to AV Integrators.....	7
Survey Design.....	7
Survey Results	10
Discussion of Results.....	12
SMEs and Sustainability	12
Crowdfunding	14
Community Building.....	15
Crowdfunding Models.....	15
Crowdfunding in Canada.....	16
Non-Equity Crowdfunding	16
Equity Crowdfunding	17
Funding Methods.....	18
All-Or-Nothing.....	18
Partial Funding / Keep What You Raise	18
Crowdfunding Platforms (CFPs)	18
Crowdfunding Campaign.....	19
Measuring Success	19
SWOT Analysis.....	20
Strengths.....	20

Weaknesses	21
Opportunities	21
Threats	21
Risks and Lessons of Crowdfunding	22
Crowdfunding for Sustainability	23
Research Studies/Proposals	23
Crowdfunding for Climate Change (CF4CC)	23
Creating a Sustainable Society through Micro-Crowdfunding	24
Campaigns on Crowdfunding Platforms (CFPs)	24
Existing General-Purpose CFPs	24
Boutique CFPs Focused on Sustainability	25
Conclusions	27
Conclusions from SMEs and Sustainability	27
Conclusions from Crowdfunding	28
Conclusions from Crowdfunding for Sustainability	29
Recommendations for ET Group	29
Recommendations from SMEs and Sustainability Conclusions	29
Recommendations from Crowdfunding Conclusions	30
Recommendations from Crowdfunding for Sustainability Conclusions	30
Proposed Action Plan for ET Group	31
References	32

Introduction

Project Focus

The purpose of the project is to explore if and how SMEs can use the concept of crowdfunding to finance organizational sustainability initiatives. In order to explore this topic effectively, this paper focuses on three key areas of research:

- **SMEs and Sustainability.** Understand the reason why SMEs invest in sustainability, some of the roadblocks SMEs have in investing in sustainability, and current funding options of SMEs to invest in sustainability.
- **Crowdfunding.** Understand what crowdfunding is, how it works, and Canadian regulations around it. Identify Strengths, Weakness, Opportunities, and Threats (SWOT), viable platforms, and best practices.
- **Crowdfunding and Sustainability.** Find out if and how crowdfunding be used effectively to drive sustainability initiatives in SMEs. Research “How to” guides for best practices and find out who are the key stakeholders/targets to fundraise money (e.g. employees, clients, suppliers, industry associations, government).

To validate the relevance and accelerate the impact of this paper, the key findings and conclusions drawn from the research are used to provide specific recommendations to ET Group, a Canadian SME in the Collaboration Technology industry, looking to raise funds to implement a holistic sustainability strategy.

About ET Group

ET Group (ETG) is an SME in the collaboration technologies industry. They are a leading technology integrator that enables companies to collaborate better and innovate faster by using the right mix of audio visual (AV), video conferencing (VC) and IT technologies. ETG has been in business for 37 years and currently has 45 full-time staff. ETG’s head office is in Toronto and they have two satellite offices in Montreal and Ottawa (ET Group, 2014).

ETG’s customers are enterprise clients and large government organizations that use video conferencing and other collaboration technologies for business critical applications. ETG invests significantly to establish long term relationships with its clients to maximize recurring revenue. One of ETG’s key strategies is to become a strategic partner for its customers by understanding their business needs and strategy in detail. Once they understand their clients’ pain points and priorities, they help recommend, implement, and support the right mix of collaboration technologies to enable current and future collaboration requirements.

Sustainability at ET Group

ETG views sustainability as a vital business imperative in order to meet the demands of a rapidly changing world. They are highly focused and aware of future constraints and demands in the world which aligns with the description of growth-oriented companies (Sloan, Klingenberg, & Rider, 2013).

ET Group's commitment to sustainability is evident through internal documents outlining sustainability strategies and approaches (ET Group, 2013) as well as blog posts published by the ownership team (ET Group, 2014). A great example of this is ETG's 2018 Vision where sustainability is situated at the core of strategy and decision making, with key aspects outlined below (ET Group, 2013):

- In 2018 ETG is considered to be the best regional integrator of communication and collaboration solutions by its clients, suppliers, and peers, and is immediately recognized as a leader and expert in integrated communication and collaboration solutions.
- Employees come to work excited and motivated as they see how their work is actively helping other companies make the world a better place.
- A sustainability mindset allows ETG to become more resilient and profitable through innovation and by proactively solving problems that will only become larger and more costly over time.
- ETG is considered the sustainability leader in the industry and a national example for SMEs, and pushes the envelope and share best practices to help transform the AV/IT industry into a sustainable one.
- ETG has a balanced scorecard that aligns with key sustainability principles that helps us assess the health of the company.
- Sustainability indicators are based on scientific principles to track progress and guide decision-making.

Even with clear passion and a long term commitment to sustainability that is written into the company vision for 2018, financial investment in sustainability has not been significant in 2014 at ET Group. The ownership team states other strategic priorities have taken precedence over investments in furthering the sustainability strategy of the firm. Thus, the company owners are looking at alternative financing sources like crowdfunding to invest in key sustainability initiatives. The initiative they trying to finance is an engagement with The Natural Step, a dynamic non-profit organization with over a decade of experience helping organizations and individuals understand and make meaningful progress toward sustainability (The Natural Step, 2014a). This engagement would help ET Group create a holistic sustainability strategy using the Framework for Strategic Sustainable Development (The Natural Step, 2014b) that would start their journey towards sustainability and help them establish themselves as a leader in the industry.

Sustainability in the Collaboration Technology Industry

ETG believes the Collaboration Technology industry has an interesting opportunity to take a leadership role to help create a sustainable world. Discussing the connections between corporate sustainability and collaboration technologies, companies looking to integrate sustainability into their overall strategy need to go through a complete business transformation (ET Group, 2012). The transformation will affect every area of the business and require an immense amount of collaboration and innovation between internal and external stakeholders. Further, collaboration technologies are critical to drive tangible reduction in greenhouse gas (GHG) emissions while enabling unparalleled collaboration and innovation necessary for the aforementioned transformation

Data and Methods

There have not been any substantial papers or studies specifically exploring the connections between sustainability, SMEs, and alternative funding mechanisms like crowdfunding. Therefore, the goal of our research paper was to explore if and how SMEs could use the concept of crowdfunding to finance organizational sustainability initiatives. The research methods utilized to gather key information to support the project reporting and conclusions included researching peer-reviewed academic journal articles through databases, internet searches, books, workshops, and a survey distributed amongst executives in the audio visual integration industry. The research examined in detail the areas of crowdfunding, SMEs, sustainability, crowdfunding at SMEs, sustainability at SMEs, and crowdfunding sustainability at SMEs. The research was completed over a four-month period from February to May 2014.

After all the data was gathered, we sought to find meaningful connections on three dimensions: 1) how sustainability is viewed at SMEs and what some of the roadblocks are for its adoption 2) how crowdfunding can be utilized as a financing mechanism at SMEs, and ultimately 3) how crowdfunding could possibly be utilized as an additional method to finance sustainability initiatives at SMEs.

1. **Sustainability at SMEs.** Here we explored sustainability in SMEs, the unique challenges they encounter when attempting to become sustainable enterprises, some of the opportunities/advantages SMEs have when it comes to sustainability as well as the roadblocks they face to invest further in sustainability
2. **Crowdfunding as a financing mechanism at SMEs.** Here we sought to gain a clear understanding of what crowdfunding is, how and when it works, and its benefits and limitations. Then we sought to understand the unique challenges of SMEs and when and how crowdfunding could be used to address their funding shortfalls.
3. **Crowdfunding for financing sustainability at SMEs.** Finally, here we sought to understand if and how crowdfunding might be successfully utilized to address the roadblock of lack of financing at SMEs to support sustainability initiatives.

Journal Articles

A large part of the research focused on peer-reviewed academic journals, searching the databases of ABI/Inform and Business Source Complete, available through the University of Waterloo Library that pertained to business, environmental, and sustainability issues. The search terms focused on different aspects of crowdfunding, sustainability, SMEs, and their interconnections. These articles covered the years of 2000-2014. The limitations of these journal articles were a lack of research papers specifically exploring crowdfunding to fund sustainability initiatives at SMEs.

Books

Chapter 6 from the book, *Crowdsourcing for Dummies* (Grier, 2012) was an excellent source at advancing our understanding of crowdfunding. The book *The New Sustainability Advantage* (Willard, 2012) was excellent at showing the clear business case for sustainability. The limitations of these books were a lack

of material specifically exploring crowdfunding to fund sustainability initiatives at SMEs, and the effectiveness of crowdfunding in B2B (Business to Business) vs. B2C (Business to Consumer) markets.

ET Group Documentation

To examine how sustainability and initiatives are viewed by SMEs, ET Group's corporate documentation was extensively researched and provided good insights. The limitations of the information reviewed were that the information only reflected the views of the ownership team at one SME.

Internet Search

Google was utilized to perform an extensive search of the Internet for information examining different aspects of crowdfunding, sustainability, SMEs, and their interconnections. This yielded information from blog posts, associations, and company documentation. The limitations of this research were that some of the internet data found may not be as trustworthy as peer reviewed journal articles or primary data collected by the research team.

Crowdfunding Workshops

We attended two crowdfunding workshops: *Crowdfunding 101* and *Creating a Crowdfunding Marketing Campaign* (HiveWire, 2014), which provided an in-depth understanding of what crowdfunding is, how it works, crowdfunding models, crowdfunding platforms (CFPs), and how to run a successful crowdfunding campaign to finance a specific project or initiative.

Survey to AV Integrators

In efforts to gather relevant primary research data, a survey was created using *Survey Monkey* to explore attitudes and experiences of SMEs towards sustainability. The survey was sent to 34 owner-managers and/or operating executives of SMEs in the AV Integration industry since the information collected would be highly relevant to ET Group. All companies surveyed were part of USAV, the leading association of professional audio-visual (ProAV) integrators in the United States and Canada that collectively serves 80% of the top U.S. and Canadian metropolitan populations (USAV, 2014). 21 responses were completed in total representing a 61.8% response rate. The limitation of the survey is that data gathered pertained only to the AV Integration industry belonging to USAV.

Survey Design

To start off the survey we first wanted to provide some context to the respondents by defining what sustainability means in a business context and by outlining key benefits of integrating sustainability into the overall business strategy, as show in Figure 1 on the next page.

Sustainability in the AV Integration Industry

WHAT IS SUSTAINABILITY IN BUSINESS?

A business strategy that drives long-term growth and profitability, mandating the inclusion of environmental and social issues in the business model. Firms engaged in sustainability seek strategies that simultaneously create economic, social, and environmental value.

BENEFITS OF INTEGRATING SUSTAINABILITY INTO THE OVERALL BUSINESS STRATEGY

Empirical research shows companies that integrate sustainability into their overall strategy increase their profits between 51% and 81% over a 3 year period.

Some of the benefits include:

- Increased resiliency and adaptation to change
- Increased innovation and faster development of new products and services
- Reduced costs in energy, waste, and materials
- Improved morale and productivity of employees
- Improved reputation and recognitions from customer, suppliers, and peers
- Improved recruitment and retention results
- Lower business risk and improve safety

Figure 1 – Sustainability Overview in Survey

Next we asked the name of the respondent, their company, if they currently invest in sustainability and to describe what sort of sustainability initiatives they currently invest in.

Next, we wanted to obtain a deeper understanding of the possible roadblocks preventing SMEs from investing in sustainability to understand how significant each of them were. In order to focus on this, we created a four-choice scale, as shown in Figure 2 on the following page.

5. Please rate how significant each of the roadblocks below are when investing in sustainability?

	Not a Roadblock	Small	Medium	Large
Perception that small/medium enterprises have low impact on the environment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of financial resources/cost considered too high	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of expertise, information, knowledge on environmental issues	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of awareness of benefits with little understanding of the business case for small/medium enterprises	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Unique characteristics of small/medium enterprises get in the way: diversity, size, management and organizational structure, and day-to-day operations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Competing strategic priorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of capacity to collect and analyze useful sustainability data	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
No systematic incentives or frameworks to engage in sustainability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of information on sustainability activities by peers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack adequate support services to guide and support the adoption and implementation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
OTHER (Please include rating!)	<input type="text"/>			

Figure 2 – Sustainability Roadblocks in Survey

Finally, we asked the respondent to select what methods their company utilizes to fund sustainability initiatives to see if there were any trends and if crowdfunding had ever been considered in this context, as show in Figure 3 on the next page.

6. What methods do you currently use to fund sustainability initiatives?

Operating Cashflow

Crowdfunding

Bank Loans

Government Grants/Loans

Supplier Investment

Employee Investment

Customer Investment

Other (please specify)

Figure 3 – Funding Sustainability in Survey

Survey Results

Overview

The survey was sent to 34 owner-managers or operating executives of SMEs in the AV Integration industry belonging to USAV. USAV is the leading association of professional audio-visual (ProAV) integrators in the United States and Canada. USAV collectively serves 80% of the top U.S. and Canadian metropolitan population (USAV, 2014). Of 34 survey requests we received 21 responses.

Key Findings

Here are the highlights of the results:

1. Only 48% of the companies surveyed invest in what they consider to be sustainability initiatives
2. The sustainability initiatives performed by respondents include:
 - a. Waste management with particular focus on e-Waste
 - b. Energy efficiency projects (building automation, LED lighting, LEED certification of facilities)
 - c. Use of cloud services, reducing internal IT footprint
 - d. Migration to service/software provider vs. product focus
 - e. Paperless office initiatives
 - f. Social Events and Fundraising
 - g. Hybrid cars
 - h. Edible garden for employees
 - i. Air Quality Audit
3. Roadblocks identified by participants that inhibit investment in sustainability vary significantly between companies that invest in sustainability vs. not. Here are the differences:

- a. The biggest roadblocks for companies that already invest in sustainability are *the lack of systematic incentives or frameworks to engage in sustainability, and the lack of information on sustainability activities by peers*
 - b. Companies that **do not** invest in sustainability state *the lack of awareness of benefits with little understanding of the business case for small/medium enterprises, the lack adequate support services to guide and support the adoption and implementation, and the lack of expertise, information, knowledge on environmental issues* as the biggest roadblocks
4. Table 1 below summarizes the relative size of the roadblocks for all companies, companies that invest in sustainability, and companies that do not invest in sustainability.

Table 1 – Sustainability Roadblocks at SMEs

Roadblock (Rating: 0 = no roadblock, 1 = small, 2 = medium, 3 = large)	All companies	Companies with sustainability investment	Companies with NO sustainability investment
<i>Lack of awareness of benefits with little understanding of the business case for small/medium enterprises</i>	2.14 (1)	1.80	2.45 (1)
<i>No systematic incentives or frameworks to engage in sustainability</i>	2.10 (2)	2.10 (2)	2.09
<i>Lack of expertise, information, knowledge on environmental issues</i>	2.00 (3T)	1.70	2.30 (3)
<i>Lack of capacity to collect and analyze useful sustainability data</i>	2.00 (3T)	1.70	2.27
<i>Lack adequate support services to guide and support the adoption and implementation</i>	2.00 (3T)	1.60	2.36 (2)
<i>Lack of information on sustainability activities by peers</i>	1.95	1.90 (3)	2.00
<i>Unique characteristics of small/medium enterprises get in the way: diversity, size, management and organizational structure, and day-to-day operations</i>	1.81	1.70	1.91
<i>Lack of financial resources/cost considered too high</i>	1.71	1.70	1.73
<i>Competing strategic priorities</i>	1.71	2.40 (1)	1.09
<i>Perception that small/medium enterprises have low impact on the environment</i>	1.00	1.00	1.00

- In order to finance their sustainability initiatives, the companies that currently invest in sustainability use the following sources:

- 80% use operating cash flow
- 40% use employee investment
- 20% use government grants
- 10% use bank loans
- Sources of financing that were not currently used included crowdfunding, supplier investment, and customer investment.

Discussion of Results

SMEs and Sustainability

The definition for small to medium enterprises (SMEs) varies around the world, however one working definition is that SMEs are companies with less than 500 employees (Government of Canada & Industry Canada, 2009) and the European Commission defines them as companies with less than 250 employees and a turnover equal or less than 50 million euros (European Commission, 2003).

On a global scale, small to medium sized enterprises comprise at least 90% of all businesses worldwide and account for more than 50% of employment and global GDP (Inyang, 2013). SMEs also account for at least 70% of the world's production and collectively contribute to about 70% of all pollution (Chadee, Wiesner, & Roxas, 2011), making their environmental and social impact very tangible and significant.

Due to their importance and impact on our society and the planet, SMEs need to accelerate the integration of sustainability principles into their overall strategy if we want to effectively transition to a sustainable society. Thankfully, SMEs can benefit significantly by investing in sustainability (Willard, 2012), and they also have a number of characteristics and key capabilities that allow them to effectively integrate sustainability into their overall strategy (Jenkins, 2009).

The World Business Council for Sustainable Development states that businesses can benefit from implementing sustainable practices in two ways (1) by driving costs efficiencies, e.g., improved operational performance and efficiencies; minimizing business risk and improving safety; improving recruitment and retention of talented employees, increasing income through improved employee morale and productivity, and (2) by generating top line growth through new markets, new products learning through innovation, improved customer loyalty, enhanced recognition and reputation (McEwen, 2013). Increasingly, more research studies are highlighting SMEs that are able to identify the sustainable competencies of the future can enjoy first mover advantage by being first to introduce a new product or service (McEwen, 2013).

The 2010 Sustainability and Innovation Global Executive Study of 3,000 executives found out the following: (Sloan, Klingenberg, & Rider, 2013):

- 57% reported that pursuing sustainability-related strategies is necessary to be competitive.
- 24% of the respondents as were 'embracers' when in addition to seeing sustainability as necessary to be competitive they also reported their organization as having a business case for sustainability and reported it as a permanent part of management's agenda.

- 70% of these embracers see themselves as outperforming their competitors and 66% report their organizations' sustainability related actions have increased their profits.

Due to their size and structure, SMEs are usually flexible and adaptable, allowing them to respond quickly to changes in the environment they operate (Jenkins, 2009). Additionally, many SMEs have a number of other characteristics that allow them to successfully integrate sustainability into their overall strategies. Here are some examples of opportunities and advantages specific to SMEs highlighted in different research studies (Jenkins, 2009):

- SMEs are often creative and innovative, giving SMEs an edge to take advantage of new niche markets for products and services that incorporate social and/or environmental benefits in their value
- Owner-manager of SMEs are closer to the organization and can more easily influence the values and culture of the company
- Communication and collaboration in SMEs are more fluid and open, allowing values to be embedded across the organizations
- SMEs have leaner and less hierarchical management structures, encouraging participation and involvement from employees
- Benefits of any action or initiative are felt more quickly in SMEs, allowing for positive feedback loops and increased momentum

As outlined above, SMEs can benefit substantially by integrating sustainability into their overall strategy and they already possess key characteristics that can make it significantly easier to adopt a sustainability mindset. However, there appears to be a disengagement between companies' sustainability approaches and their business strategies that obscures the greatest opportunities for companies to benefit society and for themselves to realise competitive advantage (Inyang, 2013). So a key questions is why is it that SME's do not invest more in sustainability even though it can become a key competitive advantage?

Research evidence suggest the majority of SMEs believe that organizations like themselves should pay significant attention to their social and environmental responsibilities (Jenkins, 2009). However, there are a number of roadblocks that inhibit or prevent SMEs from investing in sustainability (Loucks, Martens, & Cho, 2010). Based on research and validation from the survey we conducted with leaders in the Professional Audio Visual (ProAV) Industry, the main roadblocks in order of priority are as follows:

- Lack of awareness of benefits with little understanding of the business case of sustainability for SMEs
- No systematic incentives or frameworks to engage in sustainability
- Lack of expertise, information or knowledge on environmental issues
- Lack of capacity to collect and analyze useful sustainability data
- Lack of adequate support services to guide and support the adoption and implementation of sustainability initiatives
- Lack of information on sustainability activities by peers

- Unique characteristics of small/medium enterprises get in the way: diversity, size, management and organizational structure, and day-to-day operations
- Lack of financial resources/cost considered too high
- Competing strategic priorities
- Perception that SMEs have low impact on the environment

Based on research and from the results from the survey we conducted, it is clear that SMEs in the AV Integration industry do not invest in sustainability because *they have a hard time understanding and quantifying the business case for sustainability, they lack adequate support services to guide and support the adoption and implementation, and they lack of expertise, information, knowledge on environmental issues.*

On the other hand, companies in the AV Integration industry that currently do invest in sustainability state the biggest roadblocks for further investment are *the lack of systematic incentives or frameworks to engage in sustainability, and the lack of information on sustainability activities by peers.*

With the survey we were also able to understand how companies fund sustainability investments. Based on the data collected, companies use the following strategies in order of priority:

1. Operating Cashflow
2. Employee Investment
3. Government Grants/Loans
4. Bank Loans

From the survey results we can see that SMEs tend to fund sustainability initiatives with operating cash flow. It would be interesting to understand why that is the case. Is it because those companies understand the business case for sustainability and they can simply calculate the ROI? Or is it because there is a lack of awareness/availability of commercial funding and government grants to further invest in sustainability?

Crowdfunding

Crowdfunding is a relatively new method of funding a project or cause by aggregating small amounts of money from a large group people, called the crowd, using the Internet and Social Media (HiveWire, 2014). Crowdfunding is a subset of a bigger concept called crowdsourcing, where an individual or organization achieves a goal by accepting and leveraging small contributions of knowledge from a large group of people (NCFA Canada, 2014). Crowdfunding is closely tied to online social networking and the key is leveraging the power of online communities in order to extend a project's promotion and financing opportunities. The industry continues to grow at an incredible rate with global crowdfunding markets increasing from \$1.5 billion in 2011 to \$5.1 billion in 2013, according to Massolution's industry research report (NCFA Canada, 2014). Crowdfunding can be perceived in five different ways: (1) process, (2) approach, (3) capital formation strategy, (4) fundraising method or (5) financial mechanism (Valanciene & Jegeleviciute, 2013).

Crowdfunding is based on the close collaboration between investors, intermediaries and entrepreneurs as described below (Valanciene & Jegeleviciute, 2013):

- **Investors** are large groups of regular people, who can make small contributions for the crowdfunding ideas they find viable, and they usually get something in return.
- **Intermediaries** are usually the crowdfunding platforms such as Kickstarter and the main purpose is to connect entrepreneurs to people – the crowd. Entrepreneurs pitch their idea and business case and investors can make online investments. These platforms vary based funding methods: (1) All or Nothing – hold funds in an escrow account and if the goal is not reached, the money is returned to investors; and (2) Partial Funding / Keep What You Raise – allows entrepreneurs to keep all the funds raised.
- **Entrepreneurs** seek financing through crowdfunding because they usually have trouble raising capital in traditional ways. Crowdfunding provides both capital and is a chance to test their idea. If the crowd is willing to invest then it proves the idea is marketable.

Based on the above, crowdfunding can be described as a method to connect entrepreneurs seeking to raise capital, with investors that provide an emerging source of capital and are willing to invest small amounts through online intermediaries (Valanciene & Jegeleviciute, 2013).

Community Building

According to Grier (2013), crowdfunding focuses on building a sense of community, which ultimately decides if it will support an idea or project. When the crowd makes a financial contribution, they state a strong belief in the project or cause and want to identify with it. The goal is to bring this crowd into the project community and make the members feel that they want to belong there. In order to bring a crowd into a crowdfunding campaign, a market needs to be built for the idea and the market need to be engaged, similar to an advertising campaign:

- Increase people's awareness of the project activities and seek out enough knowledge to arrive at a clear understanding of the product/service.
- Get people to like the project and increase their desire to identify with the entrepreneurs and the project.
- Get people to act to pledge a financial contribution.

According to Grier (2013), a crowdfunding campaign primarily relies on two things: (1) personal connections within the crowd, since people are more likely to join the community if they already know someone who's in it; and (2) people are more likely to contribute if the cost is low.

Crowdfunding Models

In the planning stages of a crowdfunding campaign, the entrepreneur will have to decide between four general models of crowdfunding (Asano, 2013) & (HiveWire, 2014a), highlighted in Table 2 below:

Table 2 – Crowdfunding Models

Model	Type	Value Proposition	Examples
Donation	Non-tangible feel good return; philanthropy or social sponsorship	Support a social cause or give to charity	Katapult, Weeve
Reward or Perk	Supporters receive non-financial rewards for their contributions – e.g. clothing, product, lunch with founders; legally a donation	The greater the contribution the better the reward; pre-purchase discount on innovative products or services	Fundo, Fundrazr, Rockethub, Kickstarter, Indigogo
Lending	Specific percent return; peer-to-peer (P2P) lending, peer-to-business (P2B) lending	Borrowing or lending at attractive rates	Prosper, Lendingclub
Equity	Ownership / profit sharing	Company ownership; profit sharing and dividend rights; some companies offer equity for time	Crowdcube (UK), Wised (France), ASSOB (Australia)

Note. Adapted from “Crowdfunding is essential for SME innovation and job creation” by Asano, Craig, 2013, NCFA Canada; and “Crowdfunding 101” workshop by HiveWire, 2014.

Crowdfunding in Canada

Canadian crowdfunding platforms are divided into two categories: (1) Non-Equity platforms do not involve the issuance of securities and are not regulated by Canadian securities laws; and (2) Equity platforms involve the issuance of securities and consist of peer-to-peer lending platforms and equity platforms (Koscak, 2013).

Non-Equity Crowdfunding

Canadian crowdfunding platforms utilize one of three types of non-equity crowdfunding models: (1) Donation Model, (2) Rewards Model, and (3) Pre-Purchase Model (Koscak, 2013).

Donation Model

In this model the investor provides a financial donation to a project or cause and does not expect to receive a financial return. They are motivated to do this because personally they believe the project is meaningful or important in some way (Koscak, 2013).

Reward/Perk Model

In this model the investor provides a financial contribution for a project in return for a reward/perk (Koscak, 2013). There are a wide variety of rewards offered depending on the project (HiveWire, 2014a):

- *Recognition*: twitter mention, email thank you, name posted somewhere
- *Things*: pin, t-shirt, CD/DVD, signed photograph, prototype of product

- *Services*: your specific services, dance lesson, workshop
- *Access*: limited access to a launch party, advanced tickets to a conference or event
- *Experiences*: help build a project, lunch with co-founders.

Pre-Purchase Model

In this model the investor pre-orders the product/service that is being pitched by making an up-front payment. This provides a validation of a need/want for a product by providing a project sponsor or entrepreneur with up-front capital often at a discount to the anticipated retail price (Koscak, 2013).

Reviewing the existing crowdfunding platforms, the top two models are Donation- and Reward-based (NCFCA Canada, 2014).

Equity Crowdfunding

Currently it is very complicated to do Equity crowdfunding in Canada and thus little if any individuals or entities have attempted to do so. The methods available in Canada include Peer-to-Peer (P2P) Lending and Equity crowdfunding platforms (Koscak, 2013).

Peer-to-Peer Lending Model

The characteristic of the P2P model is described below (Koscak, 2013).

- Involves matching borrowers with lenders where individuals or entities lend money to an individual, company or project in return for the repayment of the principal amount of the loan plus interest on their original investment.
- It is considered a 'security' under Canadian securities law, therefore, lenders are considered to be investors, thus any P2P portal would be a regulated entity under applicable Canadian securities law.
- In order for a P2P lending platform to operate in Canada, it would have to obtain a 'prospectus exemption' from the various Canadian securities regulatory authorities.

Equity Crowdfunding Models in Canada

Regulation of Securities

Since federal government of Canada does not have a national securities regulator or any national securities legislation, the provinces and territories control regulation of securities (Koscak, 2013). These regulators work together through the Canadian Securities Administrators (CSA) to improve, coordinate and standardize the regulation of the capital markets in Canada. The CSA has created a national way to obtain prospectus exemptions that includes the offering memorandum (OM) exemption that is used by registered dealers to sell securities on the Internet to the public, and is discussed below.

Regulation of Equity Crowdfunding

There is no clear Equity Crowdfunding prospectus and registration exemption in Canada but two proposed frameworks have been suggested by Ontario and Saskatchewan and are receiving serious consideration (Koscak, 2013). However, some registered dealers in Canada have created websites where they sell securities to the public under the OM exemption. Currently, the OM exemption is available in

all jurisdictions, except Ontario, meaning it is still illegal to conduct Equity Crowdfunding in Ontario. The CSA members are still debating whether Equity Crowdfunding should happen under the OM exemption or a specific Equity Crowdfunding exemption as proposed by Ontario and Saskatchewan.

New proposals for start-ups and SMEs

Regulators from six provinces put forward two key proposals for new crowdfunding prospectus exemptions that would allow early stage companies such as start-ups and SMEs to collect up to \$1.5 million of capital by issuing securities online (CNW Group, 2014):

1. **Start-up Exemption:** already adopted in Saskatchewan, would allow start-ups and SMEs to raise up to \$300,000 per 12 month calendar year and allow investors to invest up to \$1,500 per deal on crowdfunding portals that distribute offerings for up to 90 days online; based on the Saskatchewan model; provincial regulators in British Columbia, Manitoba, Quebec, New Brunswick and Nova Scotia are seeking public input.
2. **Crowdfunding Exemption:** proposed by Ontario and has been a collaborative effort between Ontario, Manitoba, Quebec, New Brunswick and Nova Scotia; has higher caps and limits than the Saskatchewan model, and would allow start-ups and SMEs to raise up to \$1,500,000 per 12 month calendar year with investors being able to invest up to \$2,500 per deal and up to \$10,000 per year.

Funding Methods

Most crowdfunding platforms let you choose one of two types of funding methods: (1) all-or-nothing or (2) partial / keep what you raise. The advantages and disadvantages of each vary depending on specific situations (Grier, 2012).

All-Or-Nothing

In this method, a specific fundraising target and deadline is set for the campaign and pledges are collected from the crowd towards that goal. If the pledges meet the goal before the deadline then all money is received or otherwise the campaign receives nothing. This method is generally used to fund specific projects to be completed in a fixed period of time with a budget (Grier, 2012).

Partial Funding / Keep What You Raise

In this method a specific fundraising target and deadline is still set, but entire target doesn't need to be achieved in order to be able to start work. Thus, whatever pledges are made by the deadline, those funds are received. Partial funding is the best fit for work that can be easily increased or decreased (Grier, 2012).

Crowdfunding Platforms (CFPs)

There are six categories of CFPs (NCFCA Canada, 2014):

- **General-purpose CFPs** offer a broad approach and allow a very extensive range of projects for prospective investors, such as *Kickstarter*.

- **Niche CFPs** are the future, according to many experts in the industry, and are becoming increasingly popular. They have the advantage of building communities with participants with similar interests who can band together to support a specific purpose, industry or cause. Examples: Sokap, Picatic, Sclaris.
- **Regional CFPs** target a physical region or defined area and host localized projects that draw support from nearby communities that are directly impacted by the outcome of the project.
- **White label / off the shelf CFPs** are for entrepreneurs that desire their own sites that can purchase operating licenses, and are a good turnkey solution with an already established technical infrastructure.
- **WordPress blog plugins** enable adding-on crowdfunding pages to an existing blog, to reorganize and monetize based on its community of followers, with the ability to take payments (e.g. PayPal).
- **Customized CFPs** provide full control over the crowdfunding design and features of the final product.

Crowdfunding Campaign

The practical steps of building crowdfunding campaigns are: (1) decide what exactly is the project, (2) brainstorm content, (3) build content, (4) test and iterate content, (5) go live, and (6) iterate again (HiveWire, 2014). Further, there are four aspects of running a crowdfunding campaign: (1) planning and preparation, (2) campaign content, (3) campaign management, and (4) campaign marketing (HiveWire, 2014).

There are four stages of launching a campaign on a crowdfunding platform (Gerber et al., 2014):

1. **Prepare the campaign material:** create a project profile that usually includes a title, video, description of planned use of funds, funding goal, campaign duration, and reward descriptions. If the project is accepted, the platform presents the details in a pre-formatted page where visitors can choose to donate.
2. **Test campaign material:** solicit feedback on video and campaign description engage the audience in deciding the project's direction.
3. **Publicize the project during the live campaign:** reach out to potential supporters to request support; use a variety of means to reach potential supporters, including the crowdfunding platform itself, email, and online social media, as well as offline advertisements and demonstrations.
4. **Follow through with their proposed project:** producing and delivering the promised rewards

Measuring Success

There are four factors of success in a crowdfunding campaign: (1) high quality idea and a strong pitch to the crowd, (2) enticing rewards, (3) strong marketing campaign, and (4) access to a strong network (HiveWire, 2014). Further, some possible reasons why people would back you are: cool rewards, shared passion, solidarity/participation, and kindred spirits. Projects posted on crowdfunding platforms have a surprisingly high likelihood of being funded (Gerber et al., 2014). For example, 43–47% of projects on

Kickstarter and almost 70% of projects on *DonorsChoose*. Finishing projects leads to larger donations and a greater chance that a supporter will come back to donate again.

SWOT Analysis

In order to decide if crowdfunding is a good fit for a project or venture and if it's worth the risks, it is beneficial to examine its strengths, weaknesses, opportunities, and threats (SWOT). First, we must define each of the four dimensions (Valanciene & Jegeleviciute, 2013):

- **Strengths** are distinctive features of crowdfunding and advantages of using it in comparison with other means to raise capital or invest; originate internally meaning they arise from the nature of the method: the way it is designed and applied.
- **Weaknesses** are negative features and the features the method is lacking in comparison to other ways to raise capital or invest, and also originate internally.
- **Opportunities** represent the attributes of the environment that can be exploited in order to improve the method or increase the use of the method.
- **Threats** are exposures to negative elements of external origin harmful to the method and decreasing its performance.

Below, we complete a full SWOT analysis of crowdfunding relative to other financing methods.

Strengths

Crowdfunding brings four positives (Valanciene & Jegeleviciute, 2013):

- **Entrepreneurs maintain control over their company's decisions**, unlike the case for venture capitalists and angel investors.
- **Raising capital through crowdfunding platforms is very accessible.** Crowdfunding addresses the problem that most entrepreneurs fail to raise venture capital, usually for two reasons: they don't qualify since can't grow fast enough and have no potential for a large public offering, and 2) there's not enough venture capital available for masses of entrepreneurs who need it. Crowdfunding also addresses the problem of SMEs having limited access to financing options – i.e. 1) bank loans are denied due to a lack of collateral, operating history and an unproven track record, and 2) there's not enough private financing available from venture capitalists and angel investors. Crowdfunding is an opportunity to fill this capital gap by connecting small businesses, which are marginalized from the traditional sources of funding, to the general public.
- **Entrepreneurs can test the marketability of their ideas** since crowdfunding is based on attracting a large number of individuals who find an idea interesting that is worth their time and financial investment. On crowdfunding platforms they can gauge the potential for a successful start-up based on the public's response to the request for support.
- **Provide benefits to communities both locally and globally** by contributing to better economic health since crowdfunding is a tool to invest in local communities. Most entrepreneurs create a project in their local community but seek funding globally.

Weaknesses

Crowdfunding brings four drawbacks (Valanciene & Jegeleviciute, 2013):

- **Extra administrative and accounting challenges.** Since most crowdfunding is done at the donations or rewards model, it is time consuming to diligently capture contributions and send out the rewards. When a large number of investors become shareholders through equity crowdfunding, these challenges can become magnified and also bring added communication challenges.
- **Ideas and business models can easily be stolen** by better funded investors or large corporations since a key requirement of crowdfunding is presenting ideas and business models in public. Entrepreneurs might lack knowledge to protect their ideas and business plans, and if their idea or business plan is stolen, they lack the legal resources to fight in the courts.
- **Higher potential of fraud and weaker investor protection.** For example, The 2012 JOBS Act in the U.S. weakens regulatory requirements for small businesses in various ways and it can become a precondition for fraud via crowdfunding. As a result of reduced requirements for public disclosures, some businesses can try to hide their true financial status. Also, some businesses might even be created illegally – companies can be started in order to receive funding, claim it as a salary and then close down. The ongoing legislative changes are solely subject to crowdfunding, they are not applicable to other means of raising capital.
- **Higher level of uncertainty for investors to determine whether the entity seeking funding is legitimate** since crowdfunding is almost purely done online. Since there are no brokers to seek detailed advice, it could also be challenging for both investors and entrepreneurs to choose the most appropriate and trustworthy crowdfunding platform.

Opportunities

Crowdfunding has three opportunities (Valanciene & Jegeleviciute, 2013):

- There's an opportunity to **utilize the power of social networks to promote new projects and ventures**, and possibility to further **connect with the larger concept of crowdsourcing**.
- Positive effects crowdfunding is anticipated to have on the economy: create new jobs, catalyze long-term economic recovery, and foster economic development and innovation.
- **Niche investment opportunity / way to raise capital** that will not compete with other ways of raising capital of investing. Crowdfunding will create new startups and SMEs with innovative products that wouldn't otherwise exist.

Threats

Crowdfunding has two threats (Valanciene & Jegeleviciute, 2013):

- **Current legal restrictions in some jurisdictions are not suitable for equity crowdfunding.** If new rules in Canada, US, and EU are not flexible and cost effective, the development of crowdfunding might be slower and of a smaller scope than expected.
- **Risky nature of small businesses** since startup companies are traditionally riskier and have a higher rate of failure in comparison with other businesses. There's also uncertainty about the

development of unproven products and services. By solely relying on crowdfunding, the success rate of new startups will be riskier since they forego the added benefits that venture capitalists bring: mentorship, advice, and contacts.

The SWOT analysis of crowdfunding is summarized in Table 3 below:

Table 3 – SWOT Analysis of Crowdfunding

Strengths	Weaknesses
<ul style="list-style-type: none"> • Entrepreneurs maintain control over their company’s decisions • Capital is very accessible • Opportunity to test idea marketability • Benefits for communities both locally and internationally 	<ul style="list-style-type: none"> • Administrative and accounting challenges • Ideas and business models presented public can easily be stolen • Weaker investor protection and potential for fraud • Internet-based, so investors might lack detailed advice
Opportunities	Threats
<ul style="list-style-type: none"> • Utilize the power of social networks for promotion, and connect with crowdsourcing • Positive effects of crowdfunding on the economy • Niche investment opportunity / way to raise capital 	<ul style="list-style-type: none"> • Current legal restrictions in some jurisdictions are not suitable for equity crowdfunding • Risky nature of small businesses

Note. Adapted from "Valuation of Crowdfunding: Benefits and Drawbacks" by Valanciene, L., & Jegeleviciute, S., 2013, *Economics and Management*, 18(1), p. 45.

Risks and Lessons of Crowdfunding

Even though crowdfunding has overwhelming positive aspects and potential, there are still pitfalls and a certain degree of caution should be taken. Since crowdfunding is still a relatively new concept, there is still a lack of detailed knowledge and examples about the dynamics of successful crowdfunding, the general distribution and use of crowdfunding mechanisms, or whether crowdfunding reinforces or contradicts existing theories about how ventures raise capital and achieve success (Mollick, 2013). There is also uncertainty about the long-term implications of crowdfunding, such as whether existing projects ultimately deliver the products they promise. Most crowdfunding projects either succeed by narrow margins, or fail by large amounts. Projects that show a higher quality level and ones that are connected to large online social network are more likely to be funded (Mollick, 2013). Even though most founders of projects deliver results on time to investors, over 75% become delayed, with the degree of delay predicted by the level and amount of funding a project receives. Overfunded projects are particularly vulnerable to delay, likely due to the increased complexity and expectations associated with large projects.

In summary, there are some important lessons for entrepreneurs who are considering crowdfunding (Mollick, 2013):

- Project quality is important, and entrepreneurs should look for ways to show they are prepared.
- The reach of social network connections of the project and founder is important.
- The founder of the project must set appropriate goals, through careful planning, that allow the project to deliver a product on time; and they need to be prepared for crowdfunding success to be able to quickly execute a promised venture.

Crowdfunding for Sustainability

Currently there is a wide research gap in examining how crowdfunding can be applied to driving sustainability initiatives, especially at SMEs. Also the success rate of crowdfunding campaigns focusing on sustainability projects is inconsistent. First we will explore a couple of academic papers and proposals that attempt to utilize the concept of crowdfunding and apply it to solving bigger environmental and social problems. To conclude, we will explore 'boutique' crowdfunding platforms (CFPs) that specifically focus on sustainability and how they could be used to finance such projects or ventures. The landscape of 'boutique' CFPs is fragmented and thus it is risky to utilize these, especially for SMEs.

Research Studies/Proposals

Crowdfunding for Climate Change (CF4CC)

There's a large opportunity to address the approximately 1.5 billion urban and rural poor at the Base of the Pyramid (BOP) that have no access to modern energy. When the electricity grid is unreliable the typical off-grid and backup solution is diesel generated electricity. The better solution is tested renewable energy (RE) because its life-cycle costs are lower than diesel, however the problem is the lack of access to affordable financing for the poor to afford the higher up-front costs of RE investments.

Crowdfunding for climate change (CF4CC) is a possible solution to solve this barrier by directing it through microfinance institutions (MFIs) or similar intermediaries to the urban and rural poor for RE investments, such as solar home systems, energy efficient products, or mini-grids serving communities and small towns (Ritter & Black-Layne, 2013a). This proposal was made on a crowdsourcing portal and its objectives and benefits are described below (Ritter & Black-Layne, 2013b):

Objectives

- Improving the credibility of CF4CC by establishing an online portal that provides an independent overview of the different crowd funding platforms (CFPs) and their different products, with a standardized reporting format for better comparability among CFPs.
- Reduce the risk that CFPs face when they enter new RE markets by creating a first-loss guarantee facility that would initially be funded from grants and later from a surcharge.
- Mainstream CF4CC beyond the circle of the 'socially motivated' to a much larger group of financially more conservative small funders by offering them CF4CC products with competitive interest rates.

Benefits

- Increased financial investments for renewable energy (RE) coming from crowdfunding, leading to improved access to energy by the urban and rural poor while simultaneously reducing greenhouse gas emissions
- Accelerate a new bottom-up, grassroots climate finance stream from the 'Crowd to the Base of the Pyramid' to complement the still necessary top-down climate financing

Creating a Sustainable Society through Micro-Crowdfunding

Here we explore if and how crowdfunding can be utilized to create a more sustainable society. An interesting new approach called micro-crowdfunding is proposed as a possible method to better motivate people to participate in creating a sustainable society and participate in maintaining the sustainability of small, common resources, such as keeping an urban park clean (Sakamoto & Nakajima, 2013). This is a new type of community-based crowdsourcing framework that is based on the crowdfunding concept and uses point systems as a tool for encouraging people who live in urban environments to increase their awareness of how important it is to sustain common resources with minimum effort. People can participate in micro-crowdfunding activities with little effort anytime and anywhere since their approach is lightweight and uses a mobile phone. This approach leverages social and economic incentives for motivating members of communities to propose and perform initiatives called missions. Their results show that micro-crowdfunding increases the awareness about social sustainability and has the potential to empower people to achieve a sustainable society.

Campaigns on Crowdfunding Platforms (CFPs)

Based on researching for examples of successful sustainability-based projects being driven by crowdfunding reveals that there are people thinking about and trying to utilize the crowdfunding concept to drive a more sustainable world, but the landscape is currently fragmented. One problem is that the current popular CFPs, due their general-purpose focus, are not well suited to supporting projects around sustainability, environment, and social impact. The better solution would be to leverage new crowdfunding platforms that focus exclusively on attracting sustainability-based projects.

Existing General-Purpose CFPs

While major crowdfunding platforms such as *Kickstarter* and *Indiegogo* are enjoying tons of success and exposure, they don't seem to be well suited to sustainability projects and are not attracting them. Some general-purpose CFPs are trying to evolve by bolting-on an environmental sub-section to their site (English, 2013). For example, *Indiegogo* partnered with *Naturlink*, one of Europe's top environmental websites, to promote and highlight key environmental causes. At the start of this partnership most of the initiatives were grassroots in nature, with relatively unknown non-profits or groups seeking funding. It is unclear whether *Indiegogo* is intentionally focusing on smaller initiatives rather than larger non-profits or if any of the campaigns are sponsored by the promotional partnership. Other sites such as *CrowdRise* and *When You Wish* have extensive environmental campaigns, but many appear to not have reached their fundraising target. Without performing an extensive audit on each campaign, it is unclear why some environmental causes are not gaining traction with donors on crowdfunding sites.

Boutique CFPs Focused on Sustainability

Instead of using general purpose CFPs, the better option is utilizing 'boutique' CFPs specifically targeting sustainability or crowdfunding from your own website. Examples of these platforms are described below.

CSICatalyst is a Canadian crowdfunding platform focused on social innovation and social change projects that benefit people and the planet and has the following attributes (CSICatalyst, 2014):

- Allows change agents to harness the power and wisdom of the crowd to fund a project that will benefit people and planet.
- Only crowdfunding platform based in a real world dynamic community of social innovator. CSI's shared spaces, services and programming are available to help support and accelerate the success of project creators.
- Catalyst stems from a partnership between the Centre for Social Innovation and HiveWire, the implementation and service provider.

Another example is *Mission Crowdfund*, created by *Mission Markets* that operates a portal network for impact and sustainability investments. Mission Crowdfund provides organizations in the impact space the ability to raise funds for projects that support their social or environmental objectives and further it is the first platform to offer voluntary funding of environmental and wildlife habitat credits. (CSRwire, 2013).

WorthWild.org is an environmentally focused crowdfunding platform used to bring awareness and increase the impact of environmental efforts that focus on educating the youth, engaging communities in conservation and outdoor recreation and supporting the development of new products and processes for a more sustainable future, and it focused on four general categories (Pribish, 2013):

1. *Education*: a platform to help educators request funding for projects that bring young students into the environmental fold through field trips, volunteerism and environmental education.
2. *Entrepreneurial*: individuals access to monetary and intellectual resources to help move green businesses, products and community projects forward.
3. *Conservation and environmental stewardship*: provides a simple way for nonprofits to reach a broader audience when seeking funds for new equipment, sustainable building materials, or project costs.
4. *Recreation*: provides a space for individuals to fund their forays into the wilderness and entire organizations to fund their efforts to help people discover their passion for nature through play. The crowdfunding campaigns must be for no-emission activities that do not risk significant alterations to the environment.

Hero Hatchery (HH) is an innovative campaign to galvanize support using crowdfunding to inspire the climate hero in everyone and to sponsor and train a climate activist into a leadership role (TckTckTck, 2013). HH wants to take advantage of the growing climate change movement and match the level of urgency needed to adapt to climate change and the numerous consequences of the world's dependence on fossil fuels, through the following methods (TckTckTck, 2013):

- *Create a recognizable face of the climate movement.* The first person chosen was Lauren Wood is from the prominent climate justice organization Peaceful Uprising; HH aims to build support behind her and give this most important issue a mainstream, recognizable face.
- *Utilize Massive Open Online Trainings (MOOTs)* to curate and open source the incredible intelligence, skills, tool and stories of the climate movement and make their knowledge available to all for free.
- *Hire a top-notch PR team* to leverage their work and bring thousands more into the movement, while connecting the dots between organizations. HH believes fighting climate change benefits everyone, boosts the economy and is can be fun and wants to make this mainstream ‘hatch’ heroes everywhere.
- *Elevate Frontline Campaigns.* HH recognizes that heroes aren’t always just one person but whole communities and networks; the only way a real movement can accelerate is when the most impacted communities who are doing so much of the groundwork are supported and given the respect and attention their courageous work deserves.

There are some boutique CFPs specifically focused on environmental causes (English, 2013):

- *thegreencrowd.com* has a blog and opportunities to create or support environmental initiatives and to be a site ambassador
- *Smallchangefund* is focused specifically on grassroots causes
- *WeTheTrees.com* is exclusively focused on permaculture projects

Examples of boutique CFPs specifically focused on environmental causes are described below (English, 2013) & (Green Entrepreneurship, 2013):

- **thegreencrowd.com** has a blog and opportunities to create or support environmental initiatives and to be a site ambassador
- **Smallchangefund** is focused specifically on grassroots causes
- *WeTheTrees.com* is exclusively focused on permaculture projects
- **Greencrowd** in the Netherlands focuses on sustainable energy projects. Investors in projects will realize an environmental impact as well as a financial profit; this CFP thoroughly evaluates the risks involved in the project and assures there are guarantees (e.g. insurances, real estate as collateral) to mitigate the potential losses; Greencrowd’s business model is based on a 3% fee over the funds as well as a fixed administration fee.
- **GreenFunder** in the U.S. focuses on green and socially responsible projects; investors are rewarded with perks; site charges a 5% fee for fully funded projects and 9% for partially funded projects, and 3-5% processing and administration fee.
- **Oneplanetcrowd** in the Netherlands focuses on sustainability project and financed € 1 million for 17 successful projects from 2012-2013; also offer a new form of financing called the subordinated convertible loan where a person from the crowd provides a loan enters and later this converts into shares when a professional investor enters the project; instead of charging a project a fee, they asks every investor to contribute € 0.90 per investment.
- **The Green Crowd** in Australia focuses on arts, community and technology within the sustainability market; follow the traditional crowdfunding business model charging a 5% fee on

transferring the funds once collected (excluding 3% payment fees): there are rewards/perks but no financial returns for investors.

- **Greenvolved** in the U.S. is online start up building a crowdfunding platform matching concerned customers to companies willing to fund environmental projects; what makes them unique is they don't ask the customers to invest any funds, but only ask them to boost, vote and share the environmental projects they want to become reality; projects are then funded by companies who want to build a meaningful connection to like-minded potential consumers of their products or services

It is difficult to obtain a definitive insight of environmental crowdfunding success without doing an extensive audit of projects on the crowdfunding platforms. The current state of crowdfunding environmental projects shows there is only regionalized success (English, 2013). Since crowdfunding is grassroots by nature maybe this is the definition of success. The fact that larger environmental non-profit have not entered crowdfunding is a somewhat strange. Large non-profits, such as the World Wildlife Fund, have many regional efforts that could spark significant crowdfunding campaigns these can be used as a way to introduce engagement into greater ongoing involvement with their organizations. Smaller, regional groups could partner with the larger organizations since localized efforts tend to have limited opportunity to sustain engagement of their base supporters.

In conclusion, sustainability has representation on crowdfunding sites, at both the grassroots and mainstream level, but there is lots of room for improvement. Many 'boutique' platforms are getting started and their impact is evident, but with so much attention and the urgency of climate change, it is unusual that there is a lack of crowdfunding campaigns focused on sustainability.

Conclusions

Conclusions from SMEs and Sustainability

- SMEs are absolutely critical to the world economy and have a very significant environmental footprint. Ensuring SMEs integrate sustainability into their overall strategy is of paramount importance to transition to a sustainable society.
- SMEs can benefit greatly from integrating sustainability into their overall strategy. Their agility and flexibility gives them a relative advantage compared to larger enterprises to benefit from an integrated sustainability strategy that can result in a competitive advantage.
- Currently, most SMEs do not have an integrated sustainability strategy. Their sustainability efforts and investments mostly focus on incremental, continuous improvements in eco-efficiency vs. leapfrogging breakthroughs.
- The main reasons why 52% of the SMEs in the AV Integration industry do not invest in sustainability are the lack of awareness of the benefits and business case for sustainability, the lack of guidance and support to adopt and implement sustainability, and the lack of expertise, information or knowledge on environmental issues. It is clear most SMEs will only invest in sustainability when there is a clear business case. Besides the business case, they also want to

reduce the risk of implementation by using proven guidelines, framework, and support from similar companies that have realized tangible results.

- For the companies that already invest in sustainability initiatives the main roadblocks to invest further are the lack of systematic incentives or frameworks to implement sustainability, and the lack awareness of successful sustainability activities performed by peers. SMEs have to invest their time and money wisely so it is critical to implement sustainability in a strategic manner with a framework that will achieve measurable results. Also, sharing learnings and best practices amongst early adopters will be critical to further investment in sustainability initiatives.
- SMEs in the AV Industry finance their sustainability investments primarily with operating cash flow followed by employee investment. Other financing sources include government grants/loans, and bank loans.
- Most sustainability investments in the AV Industry focus around eco-efficiency.
- ET Group is well positioned to become the sustainability leader in the AV Industry given only 48% of the survey respondents invest in sustainability, and most initiatives focus solely on eco-efficiency.
- As a growth oriented SME, ET Group has all the necessary capabilities to effectively develop a sustainability mindset in the firm.

Conclusions from Crowdfunding

- Crowdfunding is growing quickly and will become an increasingly attractive source of financing. Thus, SMEs should keep crowdfunding in their radar to fund initiatives suitable for crowdfunding.
- Having a strong social networking reach is critical to succeed in crowdfunding. SMEs do not usually have a strong marketing presence or large social networks so crowdfunding may not be a viable option for most SMEs.
- Crowdfunding can validate if a service/product is marketable on a large scale as successful crowdfunding campaigns usually require hundreds of small contributions from different individuals.
- A successful crowdfunding campaign requires careful planning and significant marketing activities to increase people's awareness, interest, and eventual financial commitment. The time and commitment required to run a successful crowdfunding campaign requires significant resources that most SMEs focused on B2B do not have.
- Crowdfunding works well when trying to raise relatively small amounts of money from many different individuals. Given most B2B SMEs do not have a large network, they would need larger donations from fewer individual so crowdfunding may not be suitable to a large majority of them.
- Crowdfunding in Canada is in its infancy and most crowdfunding projects either succeed by narrow margins, or fail by large amounts so it can be considered a highly risky financing option for SMEs.
- In order for a crowdfunding campaign to be successful, the product/service needs to be a high quality idea that has a compelling value to multitudes of people. Additionally, there needs to be

enticing rewards, a strong marketing campaign and access to a strong network. Thus, crowdfunding is likely not well suited for SMEs that focus on B2B transaction as they have a limited network and the value of their potential product/service does not impact a vast amount of people.

Conclusions from Crowdfunding for Sustainability

- Crowdfunding can be used to fund sustainability initiatives that have large positive impacts on the urban and rural poor that make up the Base of the Pyramid. SMEs that have compelling services/products aimed at these markets can likely benefit greatly from using crowdfunding.
- SMEs focused on B2B transaction do not directly target the Base of the Pyramid and their products/initiatives are harder to link to the social good so it is highly unlikely they could use crowdfunding to fund a specific product/service initiative.
- The success rate of crowdfunding campaigns focusing on sustainability projects is inconsistent, meaning SMEs using this type of financing are exposed to greater risk.
- Crowdfunding platforms (CFPs) focused specifically on sustainability is fragmented which may require additional time and resources to find a suitable platform for a particular product/service

Recommendations for ET Group

Recommendations from SMEs and Sustainability Conclusions

- To achieve its vision and become a true industry and national SME leader, ET Group needs to prioritize sustainability and effectively integrate it into the overall strategy of the firm. It can no longer focus on eco-efficiency initiatives alone. Integrating sustainability effectively will drive significant efficiencies and also breakthrough innovation that will give the company a competitive advantage.
- ET Group should proceed with engagement with the Natural Step to create a holistic and strategic sustainability vision. A strategic framework will be critical to ensure there is a strong business case for sustainability and investments are prioritized in the areas with the highest impact. Implementing a strategic framework will also assist to get buy-in from key stakeholders in the company.
- ET Group should proactively work with like-minded companies in the AV Industry to accelerate the journey towards sustainability by hosting regular sessions to share approaches, sustainability initiatives, ideas, and best practices.
- ET Group should continue to use its influence and reputation to educate peers on the benefits and business case for sustainability through blog posts and industry seminars.
- ET Group should document its approach and initiatives so they can be used by other SMEs as a blueprint for implementation.

Recommendations from Crowdfunding Conclusions

- Crowdfunding is not well suited to finance sustainability initiatives at ET Group unless the initiative can provide value to a vast number of end customers. Given that most initiatives do not fall under that category, ET Group should look at other alternatives to fund its initiatives.
- Financing sources that should be investigated/considered include further employee investment, applicable government loans/grants, and supplier investments. Also, assuming ET Group implements a strategic framework towards sustainability, many of the initiatives resulting from that exercise will show a high potential ROI, making financing through bank loans and operating cash flow viable options.

Recommendations from Crowdfunding for Sustainability Conclusions

- ET Group should not consider crowdfunding as a financing option for sustainability initiatives that have an internal focus. If at some point ET Group decides to develop a product/service that can do significant social good to a large number of the world's population, then they should look at crowdfunding as an option.

Proposed Action Plan for ET Group

Timeframe	Short Term (0 - 6 months)	Medium Term (6 months - 2 years)	Long Term (2+ years)
Actions	<ul style="list-style-type: none"> • Prioritize sustainability as a key company initiative • Further refine business case for sustainability specific to ET Group • Setup recurring meeting with like-minded peers share ideas and best practices • Develop compelling business case for sustainability • Set aside budget to develop holistic sustainability strategy 	<ul style="list-style-type: none"> • Proceed with Natural Step engagement and develop sustainability vision and roadmap for the company • Continue with recurring sustainability meetings with peers to share learnings and best practices • Communicate results to internal and external stakeholders 	<ul style="list-style-type: none"> • Measure and report on sustainability KPIs • Continue with recurring sustainability meetings with peers to share learnings and best practices • Develop case study on ET Group to demonstrate the business case for sustainability with actual results • Host industry seminar on the value of sustainability
Expected Results	<ul style="list-style-type: none"> • Get buy-in from key stakeholders • Gain support and momentum from industry peers 	<ul style="list-style-type: none"> • Develop holistic sustainability strategy • Inspire peers to invest in a similar sustainability strategy • Develop best practices to be shared with other industry peers • Develop sustainability KPIs 	<ul style="list-style-type: none"> • Establish ET Group as the sustainability leader in the industry • Develop competitive advantage around sustainability • Start transformation of the AV and collaboration technologies industries

References

- Asano, C. (2013). Crowdfunding is essential for SME innovation and job creation. *NCFA Canada*. Retrieved May 13, 2014, from <http://ncfacanada.org/crowdfunding-is-essential-for-sme-innovation-and-job-creation/>
- Chadee, D., Wiesner, R., & Roxas, B. (2011). Environmental sustainability change management in SMEs: learning from sustainability champions. *International Journal of Learning and Change*, 5(3/4), 194. doi:10.1504/IJLC.2011.045068
- CNW Group. (2014, March 24). Canada's National Crowdfunding Association Applauds Regulators for Setting the Stage for Crowdfunding Success. *CNW*. Retrieved from <http://www.newswire.ca/en/story/1327349/canada-s-national-crowdfunding-association-applauds-regulators-for-setting-the-stage-for-crowdfunding-success>
- CSICatalyst. (2014). About CSICatalyst. *About CSICatalyst*. Retrieved June 11, 2014, from <http://www.csicatalyst.org/pages/about-us>
- CSRwire. (2013, August 13). Mission Markets Launches Online Crowdfunding Portal to Support Sustainable Organizations. *CSRwire*. Retrieved May 13, 2014, from http://www.csrwire.com/press_releases/35998-Mission-Markets-Launches-Online-Crowdfunding-Portal-to-Support-Sustainable-Organizations
- English, D. (2013). Can Crowdfunding Save the Environment? *Crowdfunding Guide*. Retrieved from <http://www.crowdfundingguide.com/can-crowdfunding-save-the-environment/>
- ET Group. (2012, July 9). The Link between Corporate Sustainability and Collaboration Technologies (CT's). *ET Group on Collaboration*. Retrieved from <http://www.etgroup.ca/the-link-between-corporate-sustainability-and-collaboration-technologies>
- ET Group. (2013). Memo on Sustainable Development for ET Group. Corporate Document.

- European Commission. (2003). What is an SME? - Small and medium sized enterprises (SME) - Enterprise and Industry. Retrieved June 3, 2014, from <http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/>
- Gerber, E. M., Muller, M., Wash, R., Irani, L. C., Williams, A., & Churchill, E. F. (2014). Crowdfunding: an emerging field of research (pp. 1093–1098). ACM Press. doi:10.1145/2559206.2579406
- Government of Canada, & Industry Canada. (2009, August 10). Glossary of Terms - Canadian Industry Statistics. Navigation Pages;Related Links. Retrieved June 3, 2014, from http://www.ic.gc.ca/eic/site/cis-sic.nsf/eng/h_00005.html#s
- Green Entrepreneurship. (2013). 6 green crowdfunding platforms. *Green Entrepreneurship*. Retrieved from <http://www.greenentrepreneurship.com/green-crowdfunding-platforms/>
- Grier, D. A. (2012). Chapter 6: Raising Money with Crowdfunding. In *Crowdsourcing for Dummies* (Books24x7 ed.). John Wiley & Sons. Retrieved from <http://common.books24x7.com/toc.aspx?bookid=52695>
- HiveWire. (2014a). *Crowdfunding 101*. Workshop, Centre for Social Innovation.
- HiveWire. (2014b). *Crowdfunding Campaign Design*. Workshop, Centre for Social Innovation.
- Inyang, B. J. (2013). Defining the Role Engagement of Small and Medium-Sized Enterprises (SMEs) in Corporate Social Responsibility (CSR). *International Business Research*, 6(5). doi:10.5539/ibr.v6n5p123
- Jenkins, H. (2009). A “business opportunity” model of corporate social responsibility for small- and medium-sized enterprises. *Business Ethics: A European Review*, 18(1), 21–36. doi:10.1111/j.1467-8608.2009.01546.x
- Koscak, B. (2013). Summary of Canadian Crowdfunding Regulations. *NCFACanada*. Retrieved May 13, 2014, from <http://ncfacanada.org/summary-of-canadian-regulations-oct-2013-prepared-by-brian-koscak-partner-cassels-brock/>

- Loucks, E. S., Martens, M. L., & Cho, C. H. (2010). Engaging small- and medium-sized businesses in sustainability. *Sustainability Accounting, Management and Policy Journal*, 1(2), 178–200.
doi:10.1108/20408021011089239
- McEwen, T. (2013). An examination of the barriers that impact the implementation of environmental sustainability practices in small businesses. *Journal of Business and Entrepreneurship*, 25(1), 117–139.
- Mollick, E. (2013). The Dynamics of Crowdfunding: An Exploratory Study. *Journal of Business Venturing*, 29(1), 1–16. doi:10.1016/j.jbusvent.2013.06.005
- NCFA Canada. (2014). Crowdfunding. *NCFA Canada*. Retrieved May 13, 2014, from <http://ncfacanada.org/crowdfunding/>
- Pribish, K. (2013). WorthWild.com Launches Crowdfunding Platform to Benefit Environmental Initiatives. *Social Good News*. Retrieved May 13, 2014, from <http://mysocialgoodnews.com/post/70233073871/worthwild-com-launches-crowdfunding-platform-to-benefit>
- Ritter, K. von, & Black-Layne, D. (2013a). *Crowdfunding for Climate Change – A new source of funding for climate action at the local level?* European Capacity Building Initiative. Retrieved from <http://www.eurocapacity.org/downloads/CF4CC.pdf>
- Ritter, K. von, & Black-Layne, D. (2013b). From the Crowd to the Base: Crowdfunding for Local Climate Action - Scaling renewables in major emerging economies - Climate CoLab. *Climate CoLab*. Crowdsourcing. Retrieved May 13, 2014, from <http://climatecolab.org:18081/web/guest/plans/-/plans/contestId/23/planId/1304156>
- Sakamoto, M., & Nakajima, T. (2013). Micro-crowdfunding: achieving a sustainable society through economic and social incentives in micro-level crowdfunding (pp. 1–10). ACM Press.
doi:10.1145/2541831.2541838

- Sloan, K., Klingenberg, B., & Rider, C. (2013). Towards Sustainability: Examining the Drivers and Change Process within SMEs. *Journal of Management and Sustainability*, 3(2). doi:10.5539/jms.v3n2p19
- TckTckTck. (2013). Crowdfund the Hero Hatchery: Cultivate climate heroes everywhere. *TckTckTck*. Retrieved May 13, 2014, from <http://tcktcktck.org/2013/10/crowdfund-hero-hatchery-cultivate-climate-heroes-everywhere/58178>
- The Natural Step. (2014a). About The Natural Step. Retrieved June 11, 2014, from <http://www.naturalstep.ca/about>
- The Natural Step. (2014b). The Framework for Strategic Sustainable Development. Retrieved June 11, 2014, from <http://www.naturalstep.org/en/our-approach>
- USAV. (2014). About USAV. *USAV - About Us*. Retrieved June 10, 2014, from <http://www.usavgroup.net/>
- Valanciene, L., & Jegeleviciute, S. (2013). Valuation of Crowdfunding: Benefits and Drawbacks. *Economics and Management*, 18(1). doi:10.5755/j01.em.18.1.3713