



ISCTE-IUL Business School

ESSAYS ON ENTREPRENEURSHIP IN A GEOGRAPHICAL CONTEXT

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Essays on Entrepreneurship in a Geographical Context

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Abstract

This thesis is a portfolio of three papers illuminating entrepreneurship through a geographical lens, particularly focusing on the entrepreneurial ecosystem,

The first essay develops a theoretical model on the role of geography in crowdfunding preferences. The model is embedded in a theoretical review of literature on trends towards re-regionalization, or re-localization, in a globalized world. The model also accommodates for prominent examples of crowdfunding that attracted supporters irrespective of geography, developing that branch of the model on a discussion of literature on the passionate pursuit of special interests and herding within special interest groups globally.

The second essay explores crowdfunding in the context of sub-Saharan Africa, especially the opportunities and challenges of crowdfunding. Microfinance, which has traditionally played an important role in African entrepreneurial development, is complemented with the opportunities provided by crowdfunding. Particular emphasis is given to cultural aspects surrounding crowdfunding, linking this relatively new phenomenon to longstanding African cultural traditions, such as harambee in Kenyan culture. Ongoing trends surrounding crowdfunding are identified, such as the rise of mobile payments, highlighting the potential of crowdfunding in sub-Saharan Africa.

The third essay explores transnational acceleration. Transnational accelerator programs are a particular form of acceleration, offering startups fast-track access to different geographical locations. Focusing on innovation-driven entrepreneurship, this study explores the purposefully selected case of Building Global Innovators, which is a transnational accelerator based jointly in Portugal and Massachusetts. This study explores the extent of financial resources that the transnational accelerator program

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consumes in terms of its operating expenses in the context of the overall performance of the transnational accelerator program. Applying qualitative research, in this essay also explores the core value-added that a transnational accelerator provides to the startups it hosts.

Keywords: entrepreneurship, geography, entrepreneurial ecosystem, crowdfunding, entrepreneurial acceleration

Resumo

Esta tese é um portfólio de três artigos que revelam o empreendedorismo através da lente geográfica, particularmente com foco no ecossistema empreendedor.

O primeiro ensaio desenvolve um modelo teórico sobre o papel da geografia nas escolhas de crowdfunding. O modelo está incorporado numa revisão teórica da literatura sobre as tendências para a re-regionalização, ou a re-localização, num mundo globalizado. O modelo também se adequa a exemplos conhecidos de crowdfunding que possam atrair apoiantes, em todo o mundo e independentemente da geografia, desenvolvendo-se esse ramo do modelo numa discussão da literatura, acerca da busca apaixonada de interesses especiais, e também em herding, em grupos com interesses especiais.

O segundo ensaio explora o crowdfunding no contexto da África subsaariana, especialmente as oportunidades e os desafios deste. O microfinanciamento, que tradicionalmente desempenhou um papel importante no desenvolvimento empresarial africano, é complementado com as oportunidades oferecidas pelo crowdfunding. É dada especial ênfase aos aspectos culturais em torno do mesmo, ligando este fenómeno relativamente novo a tradições culturais africanas de longa data, como harambee na cultura queniana. As tendências contínuas em torno do crowdfunding são identificadas, como o aumento dos pagamentos móveis, destacando o potencial de crowdfunding na África subsaariana.

O terceiro ensaio analisa o modelo de aceleração transnacional. Os programas aceleradores transnacionais são uma forma particular de aceleração, oferecendo às startups acesso rápido a diferentes localizações geográficas. Com foco no empreendedorismo e inovação, este estudo explora o caso de Building Global

Innovators, que é um acelerador transnacional baseado em Portugal e Massachusetts, e que foi propositadamente selecionado para este estudo. O estudo explora a extensão dos recursos financeiros que o programa acelerador transnacional consome em termos de suas despesas operacionais no contexto do desempenho geral do programa acelerador transnacional. Aplicando pesquisa qualitativa, este ensaio também explora o valor central que um acelerador transnacional fornece às startups.

Palavras-chave: empreendedorismo, geografia, ecossistema empreendedor, crowdfunding, aceleração transnacional

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Abbreviations

ACfA: African Crowdfunding Association

BGI: Building Global Innovators

FTE: Full-time equivalent

HBS: Harvard Business School

ISCTE-IUL: ISCTE – Lisbon University Institute

MIT: Massachusetts Institute of Technology

MIT-PT: MIT Portugal

Chapter 1: General Introduction

1.1 Introduction

At the outset of this thesis, two renowned minds shall be cited to establish the atmosphere for the remainder of this work. One is an economist – the other a poet. And both of them belong to a small but noble circle: the economist in 2008, and the poet back in 1987 were honored as Nobel laureates. The Russian-American poet and essayist Joseph Brodsky is credited with observing that “geography blended with time equals destiny”. Indeed, geography is capable of determining destiny, including economic destiny of countries and regions. The importance of geography in shaping economic realities is found in the following quote of economist Paul Krugman (1991): “If there is one single area of economics in which path dependence is unmistakable, it is in economic geography – the location of production in space”.

This thesis is about entrepreneurship, which just like any other part of the economy is shaped by geographic factors. The cluster of Silicon Valley tech companies is a fitting illustration of how regional peculiarities can over time shape the entrepreneurial landscape of locations. The Global Entrepreneurship Monitor is another case in point of the relevance of geography in entrepreneurship: through survey and interviews it measures the entrepreneurial indicators in each country of the world. Some locations are more conducive to entrepreneurship than others, which is largely shaped by the entrepreneurial ecosystem, and which is not set in stone and can be improved over time. We will discuss these considerations further in section 1.3 of this general introduction, but first let us start with exploring entrepreneurship itself.

1.2 Entrepreneurship

1.2.1 Defining Entrepreneurship

Entrepreneurship first and foremost involves the creation of new companies by entrepreneurs. However, the scholarly discussion on understanding and refining the definition of entrepreneurship goes further.

According to Gartner (1990), the debate about what constitutes entrepreneurship is characterized by eight items: (1) The entrepreneur with unique personality characteristics and abilities, (2) innovation in terms of ideas, products, services, markets, or technology, (3) organization creation, (4) value creation, (5) an orientation for either profit or non-profit, (6) growth, (7) uniqueness, and (8) the concept of owner-manager, implying that at least some of the owners are very actively involved in the management of the venture.

Bull and Willard (1993) offers an extensive definitional review of entrepreneurship. Extending their scope to over 200 years of the study of entrepreneurship going back to Richard Cantillon in 1755, they found that the definition of entrepreneurship has evolved over time. The evolution often reflected the changing realities entrepreneurs were faced with and the wider schools of thought dominating the various eras. We will not attempt to repeat a comprehensive review, but rather choose a more recent definition to help give some structure to our discussion, in addition to the understanding that entrepreneurship in the context of this thesis typically involves the creation of new ventures. A more recent, noteworthy definition of entrepreneurship is what Eisenman (2013) identified as the Harvard working definition of entrepreneurship, which he

credits to Harvard Business School (HBS) Professor Howard Stevenson whom he described as “the godfather of entrepreneurship studies at HBS”. According to Stevenson, entrepreneurship is defined as “the pursuit of opportunity beyond resources controlled”. That definition of entrepreneurship relates more to the entrepreneurial process, i.e. the way entrepreneurs work, which is insightful for understanding what it takes for entrepreneurs to be successful. The definition has two dimensions – opportunity and resources – which are further elaborated on in sections 1.2.2 and 1.2.3. The spirit of the Harvard Working Definition is reflected in the essence of the three main chapters of this thesis, which are outlined in section 1.4, justifying the adoption of that definition to give structure to our present discussion of the concept of entrepreneurship in these introductory remarks.

1.2.2 Opportunity Recognition

Opportunity recognition is an essential component of this two-part definition. Entrepreneurs pursue opportunities by creating products or services responding to opportunities and thereby creating value.

Researchers have long debated whether opportunities were created or discovered (Zahra, 2008). The Austrian school of economics is useful in understanding how opportunities are discovered. Dahlqvist and Wiklund (2011) pointed out that information was heterogeneously scattered across the economy”. In other words, they argue that the Austrian line of thinking holds that entrepreneurial opportunity arises because material resources, information, and knowledge are unevenly distributed. Having cited a paper that offers a theory about the basis on which opportunities are discovered, we should also briefly mention a paper that offers a theory on how opportunities are created – for the sake of completeness. Sarason et al. (2006) looked at structuration theory to explain that entrepreneurs and their surrounding social system co-evolve. Generally speaking,

structuration theory understands that creation and re-formation of systems depend on both agent and structure. The agent would be the entrepreneur, while the structure is the market surrounding him. In that sense, the entrepreneur can be viewed as someone who creates an opportunity, which changes the environment. And that again affects the entrepreneur, leading to the creation of another opportunity in response. Suddaby et al. (2011) mention Steve Jobs as an example of an entrepreneur who was creating opportunities. And he would fit that the theory posited by Sarason et al. (2006), namely that Steve job created an opportunity, which changed our very understanding of technology. This in turn changed the environment, the way we function, and also the way competitors react, necessitating a continued opportunity creation by Apple to stay on top of innovation and product development to not loose its competitive advantage.

1.2.3. Reaching Resources Beyond Those Currently Controlled

The second part of the Harvard Working Definition of entrepreneurship relates to the employment of resources by entrepreneurs. Capital is a key resource that can make or break an entrepreneurial venture. Intuitively, the first idea that stands out in the entrepreneurial context is financial capital, although existing literature has long recognized that there are other, non-financial types of capital. French sociologist Pierre Bordieu, for example, established in 1983 that capital was composed not only of economic capital, but also of social and cultural capital. In the entrepreneurial context, it would be more appropriate to classify capital into financial, human, and social capital, as was done by Bosma et al. (2004). Bordieu (1983) argued that one form of capital could be transformed into another form, for example the conversion of economic capital into cultural capital. However, simply having relationships doesn't maximize their benefits. The greatest leverage of relationships is achieved through careful construction and strategic maintenance (Bordieu, 1983). Research also recognized the importance for

entrepreneurs to increase their social capital through building their networks (Smith & Lohrke, 2008) and the development of human capital (Cardon & Stevens, 2004; Dimov, 2010), which embodies the definition's component of tapping resources beyond those currently controlled. Entrepreneurs seeking funding for growth are another illustration of how entrepreneurs develop the financial resources at their disposal, although some forms of entrepreneurial funding provide non-financial resources in addition to financial capital: Macht and Robinson (2009) refer to coaching and the introduction to social networks that are crucial to business development. Venture capital also brings significant benefits to entrepreneurial ventures in addition to the financial capital needed fuel the growth of the venture. Van Osnabrugge (2000) has an in-depth discussion of some of the differences between business angels and venture capital investment procedures.

1.3 Geography and Entrepreneurship: The Entrepreneurial Ecosystem

The object of this thesis is the geographical context of entrepreneurship. Economic geographers have established that geography is a key determinant in economic activity (Scott, 2004). Economic geography as a field of study understands that economic realities are place-dependent, and Garretsen and Martin (2010) boiled the fundamental question in economic geography down to the challenge of explaining uneven spatial development. Citing the support of prominent economists, such as Swedish economist and laureate of the Nobel Prize in Economics Gunnar Myrdal, Cambridge economist Nicholas Kaldor, and American urban activist Jane Jacobs; Garretsen and Martin (2010) highlighted that regions and city-regions could be considered as the key 'building blocks' of the economy. Given the importance of geography in economic matters; this section surveys entrepreneurship through a geographical lens, helping

establish the context and connecting points of the subsequent main sections of this thesis.

Regional variations in entrepreneurship have long been recognized by empirical research with Storey and Johnson (1987) and Barkham (1992) as examples of studies documenting how entrepreneurship varies across the United Kingdom. Those regional differences are rooted in the fact that ventures do not exclusively rely on firm-specific, internal capabilities, but also on the external environment (Feldman & Kogler, 2011; Gertler, 2003). Different geographical locations are characterized by different entrepreneurial ecosystems, with unique combinations of factors affecting ventures' paths. It should also be noted that entrepreneurial ecosystem in some parts of the world have been explored in more detail by research than in other locations. Sheriff and Muffatto (2015) have pointed that that research has only sparingly explored the entrepreneurial ecosystem in the African context. But conclusions of studies on geographies covered by research are strong enough to observe that the characteristics of entrepreneurial ecosystems vary significantly by location.

The concept of the entrepreneurial ecosystem in academic research has its roots in the 1980s when the focus of entrepreneurship research shifted from personality-based research centered on the individual entrepreneur to a broader perspective encompassing socioeconomic and even cultural dimensions (Drakopoulou Dodd & Anderson, 2007).

The World Economic Forum (2013) proposed a framework of the entrepreneurial ecosystem that is particularly relevant from the aspect of an ecosystem that provides the conditions for high growth. That framework includes accessible markets, human capital workforce, funding and finance, mentors, advisors, support systems, regulatory framework and infrastructure, education and training, major universities as catalysts, and cultural support.

Each of these can be backed up with a foundation in scholarly research, as illustrated by the following examples: Ozgen and Baron (2007) underscored the importance of mentors and industry networks for entrepreneurial opportunity recognition, which the foregoing discussion of what constitutes entrepreneurship highlighted as a key component of the entrepreneurial process. Relating to the resource part of the entrepreneurial process, we can highlight Florida and Kenney (1988a), which examined high-tech regions and found that the existence of well-developed venture capital networks significantly accelerated the pace of technological innovation and economic development, and therefore technologically driven entrepreneurship in those regions. There is ample evidence that cultural factors shape the regional entrepreneurial ecosystem. Beugelsdijk (2007) for instance related entrepreneurial culture to innovativeness and economic growth in 54 European regions, finding support for the relevance of entrepreneurial culture, only in combination with other factors, most notably regional institutional factors. Liñán et al. (2011) established a link between regional variations of how entrepreneurship is perceived in different Spanish regions with actual entrepreneurial intentions and therefore the pool of entrepreneurs in these regions. We do not aim to provide a comprehensive list of all individual components of the entrepreneurial ecosystem, and some others could be added to the list given by the World Economic Forum (2013), which was composed with particular emphasis on high-growth of ventures.

What matters most in the context of this thesis is the notion that elements of the entrepreneurial ecosystem are tied to the characteristics of geographic location (Spigel, 2017), and that entrepreneurial ecosystems are systems. The word, which is derived from the ancient Greek *systema*, implying a set of entities interacting in an orderly and organized manner (Deamer, 2009), enjoys wide usage in various fields: there are political systems, information systems, economic systems, infrastructure systems, and

solar systems – just to name a few examples. Systems theory is an entire field dedicated to the study of systems that originated in Austrian biologist Karl Ludwig von Bertalanffy's general systems theory with several articles in the middle of the twentieth century (Bertalanffy, 1945, 1950, 1951). Under the general systems theory, each system is made up of interrelated and interdependent parts acting within the boundaries of the system. A system is outlined by its boundaries, although various different systems can interact and affect each other.

Reverting back to entrepreneurial ecosystems, we can cite Alvedalen and Boschma (2017), who pointed out that the performance of entrepreneurial ecosystems depended on interactions between three components: individuals, organizations and institutions. In discussing the entrepreneurial ecosystem, Mason and Brown (2014) refer to the role of 'bridging assets' acting as connectors between people, ideas, and resources within the ecosystem. The scholarly discussion of entrepreneurial ecosystems entirely reflects the key characteristics of what a system should encompass for it to be a system. Auerswald (2015) engaged in a thought-provoking approach to the entrepreneurial ecosystem by taking the term "ecosystem" in a literal way, looking at the entrepreneurial ecosystem through the lens of evolutionary biology and ecology. Very much analogous to the real-world actors in an ecological ecosystem out in nature, entrepreneurs perform best in environments that are connected, dense and diverse. Ecosystems – both the natural and the metaphoric versions – excel when their various components are closely integrated with each other systemically.

Silicon Valley can be seen as a good illustration of an entrepreneurial ecosystem characterized by close integration of its components in a systematic way. Bahrami and Evans (1995) see Silicon Valley as an ecosystem marked by interdependence between institutions, social norms, and communities that aligned to provide the optimal

conditions for the high-growth technology entrepreneurship that made the valley known around the world, with firms benefiting from “being there” (Gertler, 2003).

The landscape of the entrepreneurial ecosystem is constantly changing with the emergence of new institutions. Both crowdfunding and acceleration are relatively recent phenomena, having their inception on a small scale in the mid-2000s and have experience their large-scale emergence in the 2010s. Both are great examples of ecosystem elements capable of enhancing the interconnectedness within the entrepreneurial ecosystem that had been identified as a determinant of its functioning.

Through this thesis, we aim to illuminate unexplored aspects of crowdfunding and transnational acceleration that not only enhance academic knowledge but that may also be insightful for entities working on strategic initiatives to develop regional entrepreneurial ecosystems.

Academic researchers have been prolific in producing papers on crowdfunding, with an abundance of academic papers published in the 2010s. This interest by the academic community is plausible in that crowdfunding has expanded and revolutionized the entrepreneurial funding options for entrepreneurs. Mollick (2014) explained that crowdfunding has its roots in both microfinance (Murdoch, 1999a) and crowdsourcing (Poetz & Schreier, 2012). Synthesized by Schwienbacher and Larralde (2012) as “an open call, essentially through the internet, for the provision of financial resources for some form of reward and/or voting rights in order to support initiatives for specific purposes”, crowdfunding opens possibilities to entrepreneurs that they had not previously had. Funding forms for aspiring entrepreneurs are not limited anymore to bootstrapping, the three F’s (friends, family, fools), and business angels.

Crowdfunding, however, might provide not only the cash needed for product development (if a campaign is successful, although Agrawal et al. (2014) showed that in their sample the distribution of funds was highly skewed), but also provide a stage on which to test the new product idea. Macht and Weatherston (2014) found that the benefits of crowdfunding exceed the amounts actually raised through a campaign, extending to value-added involvement of the crowd, facilitated access to further funding, the provision of publicity and contacts. Crowdfunding can facilitate a co-creation process involving a diverse set of actors. Effectively, these characteristics show that crowdfunding provides the success characteristics of entrepreneurial ecosystems identified above, namely the connectedness of various, diverse components.

But the questions arise about the role of geography in crowdfunding, being an internet-based phenomenon (Schwienbacher and Larralde, 2012). The internet brings actors together across geographical distance. The example of e-commerce shows how buyers and sellers from anywhere in the world have become connected (Chan and Pollard, 2003). Analogously, crowdfunding platforms are technically capable of matching stakeholders (entrepreneurs and funders) from around the world. One objective of this thesis is therefore to understand the role of geography in crowdfunding. A theoretical model will be developed to illuminate this dimension.

As pointed out by Sheriff and Muffatto (2015), research has rarely focused in understanding and evaluating the entrepreneurial ecosystems in the African context. Entrepreneurship in sub-Saharan Africa has long relied on microfinance (Khandker, 2005), although microfinance depends on subsidies (Morduch, 1999b). More sustainable entrepreneurship that is less dependent on microfinance has emerged more recently in Africa, including some high-growth, technology ventures (Kelly and Firestone, 2016). The second objective of this thesis is therefore to make a contribution to research by

illuminating crowdfunding in the African context, including its relation to microfinance as well as crowdfunding's potential and challenges.

In addition to crowdfunding, this thesis also addresses acceleration. Accelerators are fixed-term and cohort-based programs for new ventures where the startups are proactively supported by the accelerator program through mentorship, training, and investment (Cohen, 2013). Acceleration provides entrepreneurs with fast-track access to key actors of the entrepreneurial ecosystem, enhancing connectedness. One particular form of acceleration is transnational acceleration, which has only been explored only by few studies (Carvalho et al., 2016). Transnational acceleration effectively connects entrepreneurs from one ecosystem to a geographically remote ecosystem, which is particularly effective when the ecosystems involved complement each other. Transnational acceleration therefore reflects the spirit of the bridging assets that Mason and Brown (2014) referred to in their discussion of the entrepreneurial ecosystem, affectively connecting actors and institutions. Given the fact that entrepreneurial ecosystems vary by region, as observed the foregoing discussion, transnational acceleration represents a viable way for entrepreneurs to gain access to geographically remote ecosystems. Therefore, another objective of this thesis is to explore the transnational acceleration model, particularly its value-added.

1.4 Research Questions and Roadmap of How They Will Be Answered

The thesis will provide answers to a set of research questions, which were deducted from the foregoing presentation of the objectives of the thesis. This section will present an overview of the research questions of the thesis, which will subsequently be answered in the main chapters.

Attempting to understand the role of geography in crowdfunding choices, a literature review can show that empirical findings are contradictory. Some studies, such as Agrawal et al. (2011), showed that crowdfunding investors did not exhibit any home bias, while other studies, such as Günther et al. (2016), Lin and Viswanathan (2015) or Hornuf and Schmitt (2016) showed that crowdfunders exhibited a home bias. Therefore, we formulated the following research question: When does geographical location matter to crowdfunding investors?

This research question will be answered through the development of a theoretical model on the role of geography in crowdfunding preferences, aiming to bring conceptual structure into the relevance of geography in crowdfunding. The model will be embedded in a theoretical review of literature on trends towards re-regionalization, or re-localization, in a globalized world. The model will also accommodate for prominent examples of crowdfunding that attracted supporters irrespective of geography, developing that branch of the model on a discussion of literature on the passionate pursuit of special interests and herding within special interest groups globally.

Entrepreneurs in some regions find accessing entrepreneurial funding particularly challenging (Chen & Guan, 2012). The lack of access to capital for new venture creation is especially harsh in the sub-Saharan African context (Nissanke, 2001). This thesis will therefore explore the following research question: What is the status of crowdfunding in sub-Saharan Africa in terms of its opportunities and challenges?

The second paper of the thesis will answer that research question by exploring crowdfunding in the context of sub-Saharan Africa, critically analyzing the opportunities and challenges of crowdfunding through literature review. The review will include a conceptual reference to microfinance, which has traditionally played a key role as a form of entrepreneurial finance in Africa. A conceptual lens will also be applied to

the compatibility of crowdfunding with longstanding traditions of communal support in various African cultures.. A conceptual review will reveal that the prevalence of mobile payments in sub-Saharan Africa as well as crowdfunding industry self-organization trends are seen as accelerators of crowdfunding.

Regional entrepreneurial ecosystems may differ significantly depending on the location, for instance in a regional entrepreneurial ecosystem's propensity for innovation-driven entrepreneurship (Simmie, 2003; Pinto, 2009). These differences also vary substantially by country. Transnational acceleration is a potential method of overcoming disadvantages inherent in one ecosystem. Correspondingly, we can inquire the following research question: What is the core value-added that a transnational accelerator provides to its beneficiaries, i.e. the startups it hosts? However, transnational accelerator programs consume resources. Therefore, we will pose the research question concerning the extent of financial resources that a transnational accelerator consumes in terms of its operating expenses in the context of the overall performance of the transnational accelerator.

The third paper will use quantitative data to explore the extent of financial resources that the transnational accelerator program consumes in terms of its operating expenses in the context of the overall performance of the transnational accelerator program. Applying qualitative research, the paper will also explore the core value-added that a transnational accelerator provides to the startups it hosts. Building Global Innovators was purposefully chosen as the case to answer the two research questions formulated above with respect to transnational acceleration.

Following the main chapters, the thesis' overall conclusion in Chapter 5 will again synthesize the findings of the main chapters and then draw overall conclusions of how the chapters' insight may be useful inputs into the discussion by entities aiming to build

strategic initiatives for improving regional entrepreneurial ecosystems. As pointed out by Stam (2015), regional policies for entrepreneurship are transitioning from a focus on the quantity of entrepreneurship to increasing the quality of entrepreneurship.

Chapter 2: Towards a Model on Geography in Crowdfunding

Abstract:

This paper develops a theoretical model on the role of geography in crowdfunding preferences. The model is embedded in a theoretical review of literature on trends towards re-regionalization, or re-localization, in a globalized world. The model also accommodates for prominent examples of crowdfunding that attracted supporters irrespective of geography, developing that branch of the model on a discussion of literature on the passionate pursuit of special interests and herding within special interest groups globally.

Keywords: crowdfunding, geography, re-localization, re-regionalization, special interests

2.1 Introduction

Crowdfunding has quickly emerged as a topic of great interest by researchers in entrepreneurship and various other fields within business studies ever since the concept took off in the mid 2000s. Earlier studies tended to describe and define the concept. Over time, studies began to address crowdfunding from different angles. The geographic angle is no exception, and it was already addressed in relatively early studies. Economic geographers have long argued that the underlying success of creative endeavors was dependent on the characteristics of the location of the founders (Knudsen et al., 2007;

Saxenian, 1996). This phenomenon is has also been found by Mollick (2014) in crowdfunding, who detected a concentration of music projects in Nashville, technology projects in San Francisco, and film projects in Los Angeles. Each of these locations was marked by a high occurrence of projects in fields that are disproportionately strong in and characteristic of the locations.

Another way of looking at geography in crowdfunding is to ask whether geography mattered to crowdfunders in choosing which projects they like to support, particularly whether there is a home bias. Early studies, such as Agrawal et al. (2011), show that the localization bias in funding activity is virtually eliminated after controlling for social relationships, which includes friends and family. In other words, that particular study found no evidence that funders preferred to support local projects.

More recent studies, however, such as Günther et al. (2016), find that geographic distance is negatively correlated with investment probability, implying that funders are less likely to give money to projects that are geographically distant, in line with what Lin and Viswanathan (2015) identified as a home bias in crowdfunding choices. Hornuf & Schmitt (2016) also found that location mattered: After collecting and analyzing data from 20,460 investment decisions from two different portals, they concluded that investors exhibited a local bias. Some of these studies (Lin & Viswanathan, 2015; Hornuf & Schmitt, 2016) have controlled for social relationships between entrepreneurs and funders, which have been shown in other studies as a significant factor influencing crowdfunding pledges (Zheng et al., 2014). While the findings that geography mattered were strengthened by the inclusion of controls for social relationships, the studies lack other controls accounting for geographic proximity as a key requirement in certain cases. Restaurant owners raising funds via crowdfunding (Honisch & Ottenbacher, 2017) are an illustration of how in some projects the crowd is limited to close geographic proximity by the nature of the rewards and the requirement to go to a

physical location to consume them but which has been not controlled for in existing studies. Or how do highly prominent technology-focused crowdfunded innovations fit in targeting early adopters (Stanko & Henard, 2016), such as Oculus Rift's groundbreaking virtual reality innovation for which more than 2 million dollars were collected from enthusiasts, with location not playing a role at all? Given these unresolved methodological issues in empirical studies, our paper aims to bring at a conceptual level some structure into the research question surrounding crowdfunding preferences and the relevance of location.

Even before crowdfunding was born, researchers in finance have debated the relevance of geography in finance, which resulted in two opposing lines of thought. Researchers on one side of the debate point out that that geography was not relevant in determining the overall financial return. If investing in one locations brought exorbitant returns, the investment must have been accompanied by higher risk. It would not be plausible for investors to make a higher return in one location consistently: global capital markets are integrated (O'Brien, 1992) and any such opportunity would attract arbitrageurs, effectively correcting any advantages stemming from investing in a specific region. In contrast, Hau (2001) found that local traders had a superior performance, which if markets are assumed to be efficient and integrated globally, should not occur. Markets in emerging markets were seen by some observers as having been overtaken by speculative binges (Krugman, 1995). Research in finance has not been able reconcile these two perspectives on the relevance of geography.

Traditional financial markets are complex and any reconciliation would need to account for the more profound differences between the two major schools on asset pricing, i.e. the adherents of the efficient market hypothesis (a financial worldview that has its academic roots in Fama (1965a) and implies that stock prices move randomly (Fama, 1965b) and that was popularized later by Malkiel (1973) in *A Random Walk Down*

Wall Street) versus the followers of behavioral finance (a different financial worldview with its scholarly roots in works such as De Bondt (1993) or Shiller (1980) and which is presented in a more popular book format by Shiller (2000) in *Irrational Exuberance*).

Apart from the niche of equity crowdfunding (Hornuf & Neuenkirch, 2017), crowdfunding is less complex than conventional financial markets on which assets are priced. In fact, crowdfunding in its most common forms of rewards-based and donations-based crowdfunding typically does not even involve asset pricing in the sense that backers would be bidding for rewards. Rather, an amount pre-defined by the entrepreneurs corresponds with a certain reward that the backer is to receive in the case of rewards-based crowdfunding. Our model aims to clarify the role of geography in the context of rewards and donations-based crowdfunding. The starting point for building the theoretical model will be an examination of a trend towards a larger interest in the local and the regional, which will be substantiated by a review of its roots and illustrations of how the trend has been unfolding at many places.

2.2 Re-Localization and Re-Regionalization

2.2.1 The Local Matters (Again)

After decades of fast-paced globalization with a demise of the local (Friedman, 2005), we have recently seen a movement towards re-localization (Mander, 2014) or re-regionalization, with people increasingly emphasizing and valuing what is nearby. We will be cautious not to call re-localization a “counter-movement” to globalization in the sense of de-globalization, i.e. epochs when globalization was rolled back, which Williamson (2005) found examples of during the last five centuries. The re-emergence

of the local and the regional as understood in our paper is not directed against globalization. However, globalization is part of the story in that globalization during the twentieth century has resulted in de-territorialization. Although the term “de-territorialization” was first used by Deleuze and Guattari (1972) in an anti-capitalistic sense referring to the dissipated and schizophrenic nature of human subjectivity that Deleuze and Guattari perceived in capitalist cultures, the term’s more common usage would later evolve into a description of the demise of territorial cultural differences through cultural globalization. As a result of globalization, geographic location appeared to lose its relevance culturally and economically, with the latter driven by advances in communication and the rise of new technologies and modes of production, and the former by the advances of global cultural icons. On the surface, this de-territorialization became apparent in the omnipresence of global brands, with McDonald’s and Starbucks as the classic examples of this phenomenon (Bengtsson et al., 2010). On a deeper level, globalization affected people's sense of identity (Tomlinson, 1999) along with significant cultural revolutions, culminating in generations of baby boomers and generation X’ers living an increasingly cosmopolitan life as “citizens of the world” (Petriglieri, 2016).

Local identity lost its place, until the onset of an attitude change: Rather than considering the entire globe as their home in a thoroughly globalized world, people have increasingly turned their attention again to the areas in their more immediate physical space, embracing the regions in which they live as their home and bonding with these locations. This phenomenon fulfills people’s deep desire to be connected with particular locations in what psychological research by Low and Altman (1992) describes as *place attachment*. A closely related term is *place identity* as understood by Proshansky, Fabian and Kaminoff (1983) and Sarbin (1983) as capacity of location to lend self-identity to people. The rising importance of localism and regionalism is not necessarily expression of resistance to the realities of globalization, although globalization and its

consequences have been perceived as harsh by some people economically (source) or culturally (Meunier, 2000). The rise of localism/regionalism is not an uprising against globalization in the sense of “us against the world” in the manner that could be expected stemming from political populism or nationalist tendencies. Localism/regionalism as understood here is rather apolitical and a consequence of people’s desire for more differentiation in their lifestyles in a globalized world in which people tend to consume the same branded products, watch the same movies, hear the same music, all independent of geography. There is no all-out rejection of these globalized consumer and cultural goods. It is rather the local/regional outputs that are complementing the global identity, aligned closely with ‘glocalization’ as understood in Swyngedouw’s (2004) perspective that today’s alleged process of globalization can be more appropriately understood as a process of ‘glocalization’. Experiences from the environmentalist movement of the twentieth century illustrate that, according to O’Riordan (1998), globalization and localism are complementary rather than disparate concepts. For instance, environmentalists’ concern for the preservation of the local environment is aligned with a more global environmental perspective (Davies, 2005), and ultimately the global spirit and perspective of environmentalists, no matter how locally focused their individual actions might be, can hardly be questioned.

Although regional or local governments may promote formal regionalism/localism (Paarsi, 2013), the more sustainable driver of localism is the emergence of people’s informal, cultural self-identification with their region or local community. This increasing self-identification with a region or local place has been an indirect consequence of globalization: People’s awareness of being part of the global space has triggered a search for new reference points in the environment close to them, with the regional or local identity expressed in forms as diverse as culture, literature, or music (Paasi, 2003). These social and cultural expressions are what builds and shapes regional and local identity. Formal regionalism in and by itself does not produce regional

identification without what Paasi (2009), phrased fittingly as “experienced reality”. Regional or local identity ultimately comes into existence and is sustained by what people subjectively experience in their own lives, as individuals living in local communities or in wider regions with shared customs and cultural and social offerings unique and characteristic of the region.

Regional writing in the United States has staged a comeback during the last thirty years of the twentieth century, devoting literary attention to local lives, ideas, and traditions (Foote, 2003). In Germany, crime novels whose authors have situated the narrative at their home towns or their regions have enjoyed significant popularity among local/regional readers (Kleinsteuber, 2008). Local readers enjoy following the plot set in familiar locations. Newman (2009) has suggested the integration of living local authors into school curricula as an effective strategy to invigorate student interest in literature and help young people connect tangibly with literature. Locally flavored child literature has come into fashion, with Rahman (2017) identifying the revival of local fairy tales for child-aged audiences.

Spoken language is another case in point: A dialect-rich language marked by strong local accents had long been the prevalent way of oral speech at many places until the second half of the twentieth century witnessed an erosion of localism in spoken language through dialect leveling (Williams & Kerswill, 1999), culminating in a widespread absence of any traces of local accents among younger generations. After decades of dialect levelling, local dialects have ultimately seen a resurgence, including attempts by authors to mirror local dialects in written prose (Dubois & Horvath, 2002). Local dialects and their resurgence are powerful illustrations of how local/regional geographies increasingly define people, once again shaping and molding people’s social identity, and contributing to the definition of who they are as individuals (Hansen & Liu, 1997).

The music industry shows that same pattern of globalization and subsequent re-localization. During the 1950s and 1960s, major record companies practically had the entire market in the United Kingdom under their control, leaving little space for independent local music to succeed (Rogan, 1992). During the 1980s, local independent groups received popular media attention, gaining traction among local audiences. The emergence of online music platforms during the 1990s and 2000s tore down all remaining barriers that had prevented local indie music to shine. Kruse (2010) emphasized that indie music unleashed by technological advances and open to a worldwide audience, in effect continues to be closely identified with specific geographical and physical spaces, and that its success contributes to local identity. Creating as well as listening to local music likewise is a cultural expression of local identity, complementing the more global offerings by larger, multinational labels. These are all examples of how people encounter their local culture in what Paarsi described as “experienced reality” of the local in today’s globalized world.

Figure 1 attempts to illustrate the evolution whose story has been told in the foregoing. The figure is an abstract summary of what has been said before, showing schematically the transition from (A) a pre-globalization world when local life was all there was for most to (B) a cosmopolitan world where local culture and interest has been largely sidelined to (C) a world that is essentially globalized but marked by a renaissance and celebration of the local.

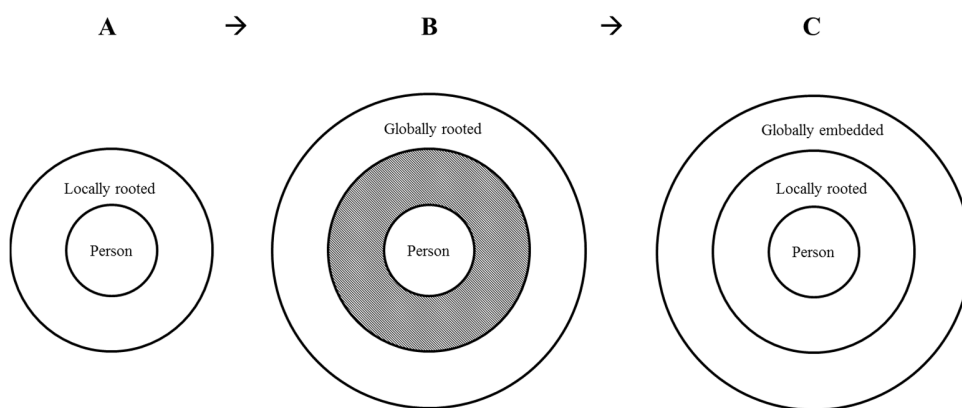


Figure 1: Evolution: from local to globalized to globalized with renaissance of the local

Source: authors' compilation

Another fitting and easy-to-digest example of re-localization lies in the food sector. Originally the epitome of an essentially local supply system until the middle of the twentieth century, the food production and distribution system, including perishables, experienced a geographical transformation due to the emergence of new transportation and storage means. Amounting to a textbook example of globalization, the rise of the Dutch agricultural export sector following the Second World War was facilitated by cold house storage facilities as well as trucks and trains with climate-controlled cargo space suitable for perishable agricultural produce. The liberalization of trade within the European Union further broke down barriers for Dutch agricultural exports (Buurma, 2001). Dutch agricultural producers excelled internationally through building a competitive business model outperforming competitors in other countries. Berkers &

Geels (2011) documented the Dutch agricultural sector's system innovations and technological transitions that empowered it to reach productivity levels which can explain the Netherlands' rise to the top of European agricultural production. As pointed out by *The Economist* (2014), tomato seeds treated by Dutch agribusiness *Incotec* were worth twice their weight in gold, indicating their value to farmers in boosting productivity. Through productivity and development of high-value crops, the Netherlands has become the world's second largest agricultural exporter (ibd.). Dutch produce had become omnipresent in supermarkets in many countries, pushing local produce to the sidelines. However, it has precisely been that local produce that has experienced a renaissance more recently, with evidence that consumers were willing to pay a premium price for locally grown produce (Conner et al., 2009), underscoring that increasingly consumers are actively seeking local produce rather than buying from the supply chains made possible by globalization in the preceding decades.

The case of agricultural produce illustrates the trajectory this section argues has shaped the role and relevance of geography: the importance of the local geography had first been deconstructed by globalization, followed by a renewed emphasis of the local sphere, though the phenomenon is also present in the wider food system, not just with fresh produce. Another example as a dessert to conclude the presentation of the evidence: The Slow Food movement has been gaining traction with its emphasis on local products, and ultimately the increasing popularity of local produce has a cultural dimension in that it celebrates, as phrased by Mayer and Knox (2006), "local distinctiveness through the connection to the specificity of a place as expressed by traditional foods and ways of producing and growing produce such as wine, cheese, fruits, and vegetables" (p. 326)

If the local has once been short of being competitive, what has changed behind the scenes as an enabler turning it competitive economically? Globalization had partially

been nurtured by the benefits of economies-of-scale enabled by a globalized world. Having its origins in Adams, economies-of-scale have been explored at length in research on internationalization in the context of twentieth century globalization (examples are Ethier, 1979; Krugman 1980). During the fast-paced economic globalization of the second half of the twentieth century, companies had centralized production processes to reach scale and compete internationally, with cost savings sufficiently large to outweigh the transportation costs associated with more centralized production (Krugman & Venables, 1995). As a result, smaller, more locally and regionally focused producers became less competitive, which fueled the demise of many local and regional players that did not reach the scale necessary to compete. The tides have started to change again, changing the realities and dynamics of economies of scale. Kotler (1989) already detected a trend towards mass customization, which was a precursor of later developments towards user-customized products (Randall, Terwiesch & Ulrich, 2007).

Here we present the facilitators that made localization feasible socioeconomically along two theoretical tracks. The first track of the argument is based on changing consumer preferences and consumers' willingness to pay premium prices. The increasing demand for differentiated products has slowly offset the disadvantages stemming from smaller scale (Spence, 1980). The increasing willingness of consumers to pay a premium price for products is particularly pronounced if they can relate with the product (Hwang & Kandampully, 2012). In a discussion of hyperdifferentiation and resonance marketing, Clemons et al. (2006) noted that consumers purchase products that they truly want, and that they are willing to pay a premium price. Examples include diverse products ranging from golf equipment to sports cars, but also consumer projects with frequent, repeated purchases, such as iced teas and super-premium ice creams (Clemons et al., 2003; Clemons et al., 2005). The preparedness to accept premium prices is strong if the purchase decision is aligned with deeply-held values of the purchaser. Batte et al. (2007)

found that consumers put their money where their mouths were by paying a premium for multi-ingredient organic food products, and Loureiro and Hine (2002) observed that consumer with a preference for locally-grown organic food were willing to pay a premium to eat healthier food grown in their vicinity. Competition increasingly is based less on price, which diminishes some of the drivers for centralization of production for the sake of maintaining competitively low prices.

The second track focuses on the changing nature of economy-of-scale due to manufacturing advances and even paradigm changes, embedded in a wider discussion of strategic management and competitive advantage. Economy of scale, while still a factor in manufacturing, witnessed a gradual decline as a key determinant of business success relative to other success factors, starting in the last two decades of the twentieth century. The development accelerated during the 1990s, as new technology enabled smaller but more innovative companies to neutralize larger rivals' economies of scale (Porter, 1994).

These developments are expected to accelerate with the onset of the third industrial revolution. Recent advances in 3D printing, particularly in additive manufacturing, marked only the beginning of this third industrial revolution with manufacturing going digital (The Economist, 2012). Its impact will be as significant and lasting as that of the late 18th century's mechanization of industry through the steam engine (first industrial revolution) and the early 20th century's assembly line enabling mass production (second industrial revolution). Additive manufacturing enables the economically feasible production of small-sized batches, which under conventional manufacturing would have been prohibitively expensive, allowing smaller, more locally oriented companies to become competitive once again. In fact, additive manufacturing even allows production runs of single units, as is useful for prototyping. Gress and Kalafsky (2015) predicts that

additive manufacturing may reinvigorate the dynamics of local and regional innovation systems by enabling rapid, on-site, prototyping.

The decline of the relevance of economies of scale also is evident in the developments of paradigms on strategic management and competitive advantage. One interesting lens through which to discuss the issue at hand is the Dynamic Capabilities Approach (DCA). But first a definition of dynamic capabilities: Teece et al. (1997) defined dynamic capabilities as “the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments”. The DCA is the fourth and most recent paradigm of strategic management’s outlook on competitive advantage. The preceding paradigms were the competitive forces approach by Porter (1980), the strategic conflict approach by Shapiro (1989), and the resource-based perspective, as exemplified by Wernerfeldt (1984). DCA is different from the previous paradigms in that, among other things, it relates strongly to the entrepreneurial process. Emphasizing Schumpeterian rents, the DCA is highly relevant to our discussion, as Schumpeterian rents stem from the innovative exploitation of opportunities. Dynamic capabilities are the tools needed to pursue new opportunities not only in a changing environment, but also in an era of high need for product customization (Wu, 2006). Customization pays off if there is customer integration in the production process, particularly through (1) from postponing some activities until an order is placed, (2) from more precise information about market demands and (3) from the ability to increase loyalty by directly interacting with each customer (Piller et al., 2004). The realities of doing business today reflect all of the above, making smaller production size economically feasible and therefore making smaller but locally rooted producers once again competitive.

2.2.2 Differences in Magnitude of Re-Localization

Notwithstanding that ample evidence documented and explained re-localization, the phenomenon cannot be assumed to have the same magnitude everywhere. Place attachment varies according to location, where place attachment in one city-region is more pronounced than in other cities within the same country (Raagmaa, 2002), or even vary within a city (Hidalgo & Hernandez, 2001). A location tending towards lower place attachment can be presumed to be less prone to re-localization.

The rise of a location's local identity can also be man-made or an outcome of public policy. Different urban planning approaches might lead to different levels of community attachment and therefore differences in enthusiasm for the local interest (Raagmaa, 2002). In these cases revived local identity is partly an outcome of policy decisions at the local level. However, local or regional politics also has resorted to the promotion of local identity to mobilize local powers as part of a larger strategy (Paarsi, 2013).

The localism/regionalism phenomenon was facilitated by political changes in the decade of the 1980s marked by the onset of a new regionalism (Keating, 1998), which was driven by European integration. Palmer (1999) observed that European integration came with contradicting effects: as the European Union was developing greater economic and political unity, regions and local communities gained power and influence. As nation states' sovereignty has waned, new channels have been created for regions to wield influence and for sub-national governments to engage in more autonomous policy-making (Hooghe & Marks, 1996), including in setting policies aimed at promoting local and regional culture. A prominent example of the formal rise of regions is the creation of the European Committee of the Regions in 1994. As a result of European frameworks, regions have direct contact with supranational organizations and are

supported by supranational funding (Mazey and Mitchell, 1993). While these opportunities are open to all regions, some are pursuing them more vigorously than others, which also contributes to a variation of the extent to which local or regional identification is promoted by public actors. As noted by Marks et al. (1996), the German states and the Spanish autonomous regions have representative offices in Brussels, and a significant share of the relations between the European Union and Germany and Spain respectively are handled through these delegations representing regions. The 'new regionalism' has been identified by Hettne & Söderbaum (2000) as a world-wide phenomenon, implying that the European developments towards re-regionalisation are not the exception but rather an example of a larger global trend.

Fitjar (2010) identified a set of factors explaining why some regions have a more pronounced regional identity than others. The findings point to regional language, peripheral geographical position, regionalized political party structures, and economic prosperity as factors associated with strong regional identities. Besides having practical communication implications, regional languages facilitate a stronger regional identity as a large part of culture is connected to language and partially defined by it. In our previous discussion, we have already referred to local and regional writing as an example of how culture and sense of place are closely intertwined. Peripheral geographic position was measured by how distant a region was from the national capital. A region's identity has developed over time; a peripheral region can be assumed to have culturally developed distinctively from more central regions and that distinctiveness enabled a stronger regional identity. The identification of regionalized party systems are aligned with Paarsi's (2013) that politics may promote local or regional identity as part of a wider strategy, which can be assumed to be particularly pronounced in territories with a dominant political party specific to that region. Alternatively, the regional party system can be seen as an expression and outcome of a strong regional identity, which once established as a region's main political force further

promotes regional identity. Lastly, economic prosperity is associated with strong regional identity by Fitjar (2010).

A region with a strong regional identity may trickle down to fostering strong local identities. Mayer and Knox (2006) observed that the Italian cities that were early pioneers of the slow food movement emphasizing local food culture clustered mostly in the regions of Umbria and Tuscany. The German slow city pioneers were clustered in Bavaria and Baden-Württemberg. These regions have strong regional identities, which has been documented by Fitjar (2010) for Bavaria and Tuscany. The conscious efforts to promote local food culture in both Germany and Italy were, at least initially, not nationwide phenomena, but rather local phenomena that showed regional concentrations.

2.2.3 The Role of the Local Media

Print journalism exhibits a similar pattern from local to global and back to the local co-existing with the global. Local newspapers have been the exclusive source of printed news for centuries. The emergence of newspapers with nationwide reach marked the beginning of a major disruption to the business model of local news outlets. As pointed out by George & Waldfogel (2006), “a resident of Fargo [South Dakota] with a preference for high-quality national or international news may switch from the Fargo Forum to the New York Times if home delivery of the Times becomes available in that market” (p. 435). The rise of the internet has altered the landscape of local media, as it made it feasible for readers anywhere to access internet-based newspaper outlets everywhere. Local newspapers subscriptions have been in decline, and revenues from classified advertising in local media has fallen as much as 80% during the 2000s (Abernathy, 2014).

Local news, however, remain essential to local communities (Franklin, 2006). A consequence of the macro trend towards re-localization, local newspaper outlets staged a comeback, overcoming the challenges presented by the economies-of-scale advantages larger competitors possess. The local media landscape in the United States is an example of how consolidation facilitated competitiveness of the local press. Hess and Waller (2017) pointed out centralized production nodes where news gathered from one area is processed and edited centrally, and eventually distributed locally. Ultimately, only the journalism work is performed locally, anchored in a particular locale and with an in-depth understanding of that place that has developed over time (Hess & Weller, 2016).

Local media are vital institutions performing essential social functions. Studying local media in the Netherlands, Meijer (2010) found that these essential social functions include: (1) supplying background information; (2) fostering social integration, or giving citizens insight into how the city “works”; (3) providing inspiration; (4) ensuring representation by giving a voice to local causes; (5) increasing local understanding; (6) creating civic memory; and (7) contributing to social cohesion, or a sense of belonging. Adding to this list is McLeod et al. (1996) by supporting the link between local media readership and community participation. Community participation can take many forms, ranging from local political involvement to accepting active roles in civic organizations and athletic organizations.

2.2.4 Local Crowdfunding: From Crowdfunding Motivations to Preferences for Local Projects

The general trends towards re-regionalization has been documented in the preceding section, although it is yet to be analyzed for any substantial claims on crowdfunding. The link to crowdfunding is made through the lens of empirical literature on the

motivations for crowdfunding combined with reflections on the role of media in connecting crowdfunding with the crowd composed of individuals with their motivations to participate in crowdfunding. While the primary motivation for investing generally is financial return in exchange for the risk associated with the investment (Modigliani & Pogue, 1974), this basic assumption does not apply to those pledging money to projects and startups through crowdfunding. With the exception of equity-based crowdfunding, financial return does not even show up as a variable in crowdfunding, such as in reward-based crowdfunding which has established itself as the most predominant form of crowdfunding (Frydrych et al., 2014). However, even in equity-based crowdfunding, financial return is not the all-determining motivational factor (Cholakova & Clarysse, 2015).

Across all types of crowdfunding, non-financial motives play a key role. The motivation to help others is most pronounced in the donation-based crowdfunding model, which is a way for social entrepreneurs to raise funds (Lehner, 2013) but also for charities to tap new sources (Langley, 2015). Crowdfunders on donation-based platforms unquestionably are motivated by charitable considerations. However, the motivation to help others is also prevalent in other forms of crowdfunding. Allison et al. (2015) found that crowdfunding lenders responded positively to narratives highlighting the venture as an opportunity to help others rather than as a business opportunity. Here, the narrative of the entrepreneur touches backers emotionally and contributes to the success prospects of a crowdfunding campaign. The qualitative, empirical findings of Gerber & Hui (2012) demonstrate that even in creativity-themed, rewards-based crowdfunding campaigns on Kickstarter, RocketHub, and IndieGoGo the desire to help others is a key motivating factor. These findings are aligned with the observation of Belleflamme et al. (2013) that projects with a social or non-profit orientation have a higher likelihood of receiving funding than projects without that orientation. Gerber et al. (2012) found three motivational classes: First, funders engage in crowdfunding because they enjoy

receiving rewards. Second, they feel good because of supporting the creators and the causes that are impacted by the project. Third, funders receive pleasure out of engaging with and contributing to a creative community.

The desire to help others is unquestionably an essential motivating factor for why people contribute their money to projects through crowdfunding. There is some evidence that philanthropy is primarily place-based (Glückler & Ries, 2012). Other studies are not as clear, and the prevalence of contributions to international humanitarian charitable causes puts up some question marks. However, Bekkers & Wiepking (2011) identified eight mechanisms as the most important forces that drive charitable giving and therefore can be extended to the charitable aspect of crowdfunding: (1) awareness of need; (2) solicitation; (3) costs and benefits; (4) altruism; (5) reputation; (6) psychological benefits; (7) values; (8) efficacy. Akin et al. (2013) shows that donors feel happy if they can see the positive prosocial impact their giving has, in other words making a difference and knowing about it is what makes donors feel good. Crowdfunding, if local, has a more tangible impact. Local publicity about outcome, but also familiarity with the location makes impact more tangible. This effect is magnified by the wider trends towards greater emphasis on the region. Although people in a re-regionalized world will continue to care about global humanitarian causes and donate to alleviate suffering globally, a greater sensitization towards local needs can be expected, motivating the crowd to pledge money towards local entrepreneurial ventures and social causes through crowdfunding.

2.3 Global Special Interest Communities and Crowdfunding Innovations

2.3.1 Addressing the Counter Examples

Toren (2014) ranked the ten “coolest” crowdfunding success stories in the *Entrepreneur* magazine, including the impressive example of Oculus Rift’s campaign to raise funds for a virtual reality head-mount display – a campaign which surpassed the initial funding goal of a quarter million within four hours, eventually ending the campaign with more than USD 2 million and laying the foundation for a device revolutionizing innovation (Stanko & Henard, 2016). These projects raised amounts that would already be considered on par with the lower end of the range of amounts typically raised in series A rounds from venture capital firms. Noteworthy in our paper’s context is that these more prominent, large-sum crowdfunded projects attract funds irrespective of the geographic location of the entrepreneurs and their backers pledging funds toward their crowdfunding campaigns. Rather, what the backers have in common are shared interests and passions, amounting to the feeling of connectedness to a community with similar interests that Gerber et al. (2012) identified as a motivational factor for crowdfunders.

People seeking these innovative products not only want the products but desire to be part of the creative process in what has become known as consumer co-creation (O’Hern & Rindfleisch, 2010). Crowdfunding these desired innovations allow enthusiasts to become part of the process of making the innovations become reality.

If co-creation reaches consumers on an emotional level and connects with what they feel passionate about, the process of integration these consumers is a powerful motivator. Cova et al. (2015) illustrates this potential fittingly by having shown that companies with strong follower communities can get consumers to make unpaid contributions towards brand development, for instance through writing articles or providing other valuable inputs. We present a theoretical review of the concept of passion and its power to motivate people, followed by a discussion herding within special-interest communities bound together by shared interests, or put more strongly: passions for the same cause.

2.3.2 The Power of Passion

The starting point of our analysis is that people have passions, and that those passions can motivate behavior and action. People can be passionate towards objects, ideas, persons, and causes. A defining element of passion is that it involves emotional processes. Passion as understood by French philosopher Diderot (1765) is a person's strong and persistent inclination, seemingly driven by the soul, towards something that assumes that person's full attention.

Linstead and Brewis (2007) interestingly understands passion as a synonym for desire, pointing out that "desire can be understood either as based on a lack of someone or something" (p. 354). But passion not only captures one's full attention, it also motivates and drives behavior. The Theory of Motivation by Scottish enlightenment philosopher David Hume understood that "reason alone never motivates action but always requires the cooperation of some separate, and separately identifiable desire-factor to bring about action" (Shaw, 1989: p. 163). The action-motivating capacity of passion has been studied and proven empirically in countless contexts. Passion motivates people: For example, a passion for learning brings about effort leading to positive academic results

(Noble and Childers, 2008). Passion has been shown to motivate some people to act in a way that makes them successful entrepreneurs (Cardon, 2009), just as passion can motivate athletes to exercise extensively to outperform at competitions (Vallerand et al, 2008). From marketing literature, we understand that passions are capable of motivating purchasing decisions. Passion motives people to purchase artwork, collectibles, and antiques (Zolfagharian and Cortes, 2011). Belk et al. (2003) distinguish among need, want, and desire as drivers of consumer behavior, with need corresponding to necessity, want corresponding to wish, and desire corresponding to passion. Therefore, consumers choosing a product out of passion do not act to merely satisfy a basic need.

The dualistic model of passion (Vallerand et al., 2003) distinguishes between two types of passion: harmonious and obsessive passion. The model holds that passion also encompasses an internalization of the passion into the person's identity to the extent that the pursuit of it may define the person's self-identity. For example, persons passionate about computer games might identify themselves as gamers; persons passionate about art as artists. A person motivated by harmonious passion has control over the desire. In contrast, obsessive passion implies that the person passionate about something has little or no self-control over the passion and the resulting motivations. Whether a person is harmoniously or obsessively passionate depends on how the passion was internalized. Harmonious passions typically have a healthy impact on self-identity. They lead to positive emotions and subjective well-being (Vallerand et al, 2008). In our theory development we are understanding passion in the sense of harmonious passion.

Passion is a powerful construct whose impact exceeds intrapersonal outcomes affecting exclusively the person passionate towards something, but also has interpersonal, intergroup, and even societal consequences (Vallerand, 2010). Indeed, Belk et al. (2003) understands that passion in the form of desire presupposes a societal context.

2.3.3 Herding, community dynamics, and special-interest media

Kuppuswamy and Bayus (2015) found evidence for the positive effects of social influence in reward-based crowdfunding. They detected positive herding as a function of how much money has already been pledged by others towards the funding goal. The phenomenon of herding in general and herding in finance has been explored extensively (Spyrou, 2013) We want to steer the discussion of herding into the context of herding within communities whose members all share similar passions. As suggested by Raafat, Chater, and Frith (2009), people in the age of the internet live in an interconnected world with an increasing ease of sharing information and ideas and with frequent points of contact between people. That raises the question of whether people are more susceptible to herding behaviors. The propensity towards herding can be assumed to be greater when the population members share similar passions, i.e homogeneous communities whose homogeneity is defined by their members passion towards an object. Examples of such groups range from the community of environmentalists to Star Wars followers to gaming enthusiasts who had always dreamt of seeing virtual reality become reality, with this latter example alluding once again to the success of Oculus Rift.

The flow of information among population members tends to be intensive and timely. The intra-community information flow is accelerated and channeled through brokers like topic-specific magazines that Reader (2011) referred to as examples of community journalism. As explained by Reader, that term had originally a connotation to small-town newspapers but came to be understood as referring to special-interest magazines and online-only newsletter for professional communities that are not limited to specific geographies. Other forms of interest-specific media of exchange include face-to-face meetings such as national or even more appropriately international conventions, and social media groups that transcend geographical boundaries. Endorsements from

opinion leaders respected by the global community can validate crowdfunding projects catering to the interests and passions of these communities. The importance of special-interest media in enabling consumers to evaluate product quality has long been recognized (Bloch, 1986), which is a mechanism that extends to the products that crowdfunders belonging to special interest communities seek to receive through reward-based crowdfunding.

Bikhchandani and Sharma (2000) suggest that a group is more likely to herd if it is sufficiently homogeneous, also pointing out the importance of the visibility of the other group members' actions. The actions or publicly voiced opinions of other group members can motivate a person to choose to support a crowdfunding project. The interplay between emotion and cognition, as defined earlier, comes into play as follows: The chatter in a community defined by a shared passion is all about a desired new product that is to be financed via crowdfunding and to which the community members are generally attracted. If the reviews and comments tend to be on the positive side, people consider supporting the campaign.

2.4 Towards a Model on Geography in Crowdfunding

Putting together the two strands discussed in depth so far, we are developing a comprehensive model. An assumption of the model is that today's world is marked by a resurgence of the local, with local identity both culturally and socioeconomically complementing the realities of a globalized planet. Part of Figure 1 from this paper's earlier discussion of the local – global – re-localized storyline found its way into the model presented in Figure 2: The schematic representation of this duality of the local and the global is the starting point of the construction of the model, placed in the lower-left corner of the model in Figure 2.

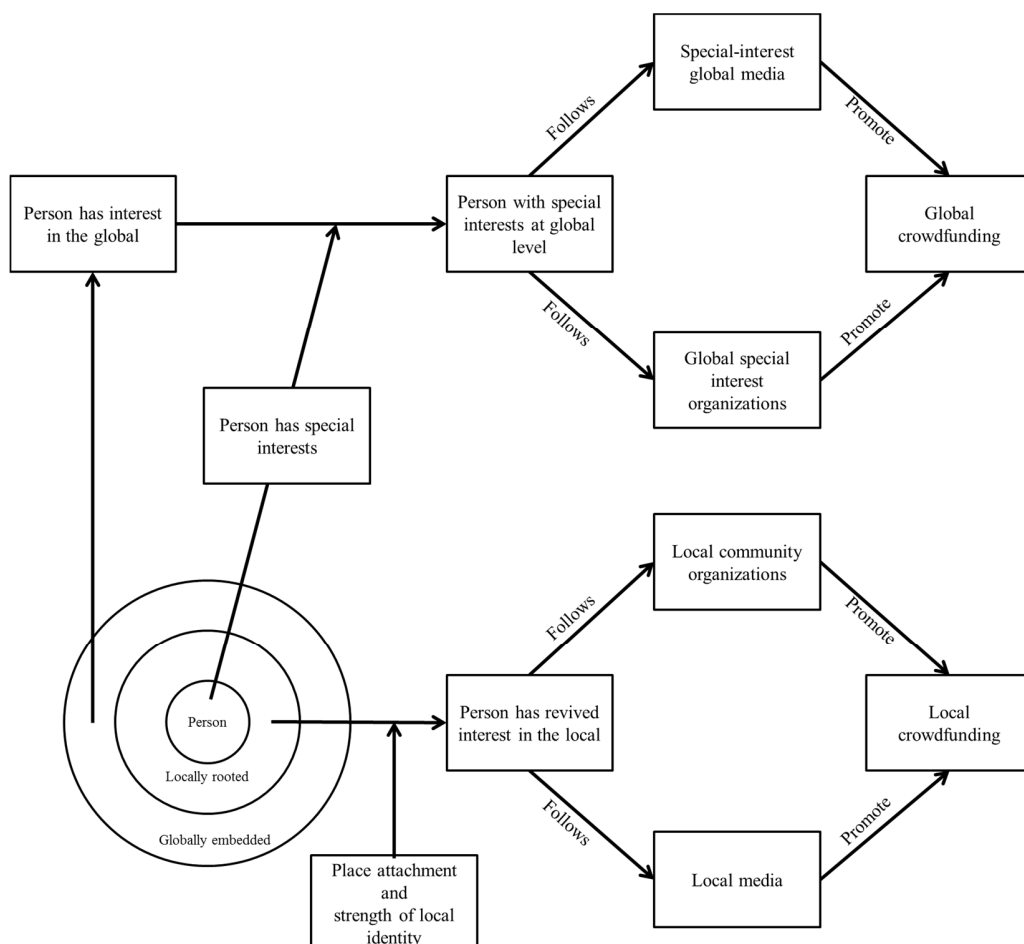


Figure 2: Comprehensive Model on Geography in Crowdfunding

Source: authors' compilation

Locally rooted persons possess a revived interest in the local, motivating them to follow both local media and local community organizations. Media is capable of promoting crowdfunding by featuring success stories (Bouaïss et al., 2015), effectively raising awareness of local crowdfunding in general, or even report about ongoing campaigns in particular. Local civic organizations as the fabric of local social life are effective facilitators of word-of-mouth. Colombo et al. (2015) has documented the importance of word-of-mouth for success in tapping the crowd's funds. Both local media and civic organizations are capable of raising local awareness of crowdfunding and even help channel local money towards local campaigns to fund the development of local products or launch of projects with local impact.

The model accounts for a world in which geography is relevant in crowdfunding, particularly in determining the geographic areas from which entrepreneurs typically succeed in attracting supporters. Geography likewise determines which projects the crowd would prefer to support. The extent to which location is relevant in the model depends on the strength of place attachment. Manzo & Perkins (2006) established a link between place attachment and community participation, which community participation expressed in the model as following local community organizations and local media. Further, the relevance of a location's local or regional identity is determined by Fitjar's (2010) criteria.

Irrespective of how locally rooted, persons have special-interests, frequently in the form of hobbies but also increasingly as lifestyles, marked by specialization and uniqueness. The state-of-the-art compliant with high expectations (e.g. on quality of technical products relevant to a hobby) is frequently a more global matter, with people following vividly the latest developments in their field of interest globally. Enthusiasts follow special-interest media and organizations dedicated to their special interest, both of

which can spread word-of-mouth about ongoing crowdfunding campaigns, attracting supporters from the respective special-interest communities concerned.

2.5 Discussion and Conclusion

Although several papers have explored the relevance of geography in crowdfunding, this paper presented a comprehensive theoretical model that is rooted in an extensive review of theoretical and empirical literature on a globalized world that is witnessing a renaissance of the local and the regional, representing an original contribution to the research on the geography of crowdfunding.

The model takes a balanced approach, recognizing that despite recent trends towards localization and regionalization, we continue to live in a globalized world, and people enthusiastically pursue their interests, and this is independent of where they live. We incorporated a discussion of these special-interest global communities, rooted in a theoretical review of interdisciplinary insights on passion and the pursuit of passion through the global community, which in this form has not been applied to crowdfunding choices and therefore is another original contribution of this paper.

The extent to which geography is a factor in crowdfunders' choices has been presented as mediated by geographic variations of the magnitude of place attachment and the strength of local and/or regional identity. Future studies on crowdfunding can incorporate our comprehensive theoretical model into empirical studies, or explain surprising results in existing studies. For instance, Hörisch (2015) studied the statistical link between environmental orientation and funding success, showing surprising results in that there was no positive influence of environmental orientation on funding success. Unexpectedly, the paper found that people euphoric about environmental causes were not generally more likely to back an environmentally-focused project. When a study

shows that someone passionate about environmental causes is not more likely to back that project, questions arise as to whether other factors have to be taken account of, geography among them. In the renewable energy sector in the Netherlands, Vasileiadou et al. (2016) found examples of projects where investors can acquire shares in specific communal projects. Our theory can explain why an environmentalist would choose not to invest in a communal project, the most apparent reason being that all the open calls for funding are located in regions far away from an environmentally-minded investor at hand. The case might be different if projects aimed to develop groundbreaking innovations capable of attracting the attention of the global community of environmentalists. A basis for this kind of global attention might be given if the innovation to be financed through crowdfunding would make unique contributions to innovation that are significant enough to the field for special-interest media to report on and for global special-interest organizations to offer some seal of technical approval as relevant to the field.

The model is also a useful reference tool for regional policy-makers attempting to integrate crowdfunding into their regional entrepreneurial ecosystems. This inspiration and reference is particularly useful for disadvantaged regions, as crowdfunding can help entrepreneurs in structurally lagging regions overcome some of the obstacles they face in accessing entrepreneurial funding (Chen et al. 2009). Many peripheral regions in Europe tend to be less developed economically, and Lane (1994) pointed out that peripheral regions are characterized by sparse populations, small-scale but traditional businesses. As pointed out in our earlier discussion of the economic enablers of re-localization, smaller sized entities once again have become capable of competing despite their smaller size, and crowdfunding from the local population is a convenient way for these smaller ventures to raise funds for entrepreneurial ventures, or intrapreneurial projects for existing ventures. According to Fitjar (2010), peripheral regions tend to be characterized by a stronger regional identity, which according to our

model should put them into a strong starting position to jumpstart a local crowdfunding infrastructure.

However, it should be noted that the model developed in this paper along with its theoretical justification is not applicable to the realities in every country. In fact, the model might be better suited for high-income countries and only partly in emerging countries. Socioeconomic challenges in the least developed countries mean that focus has to be on more essential questions, rather than regional or local considerations. Extensive evidence from the food sector was cited above, which illustrate the geographical limitations of the model. Although the re-regionalization of food systems is unfolding in many countries, the findings from Field, Masakure & Henson (2010) suggest that the re-regionalization of the food sector is mostly a high-income country phenomenon. This observation withstands the test of plausibility: as products from a re-localized food system tend to exhibit premium prices (Conner et al., 2009), consumers in developing countries might opt for the more economical products offered by large-scale supply systems, where they exist. However, many areas in the least developed countries continue to rely on subsistence agriculture (Gollin & Rogerson, 2014), which implies an absence of globalization in the food sector altogether in the first place, and therefore re-regionalization is not applicable. In fact, consumers in poor regions turn to local products, but not as a matter of choice but out of necessity. In either case, we cannot presume a strong appearance of a re-regionalization in developing countries following the storyline local – globalized – re-localized as presented here, essentially following the argument presented by Mander (2014).

The model developed can assume that a certain economic well-being would have to be in place for consumers to develop an explicit desire for premium-priced local or regional products after previous decade-long dominance of global brands and products. The emerging middle class in sub-Saharan Africa with its rising disposable income represent

a market for local and regional products, as explained later on in section 3.0.1. But their story is markedly different from this essay's local – globalized – re-localized pattern. Therefore, the theoretical developments on re-localization may not be entirely applicable to the African context as presented in the model, particularly with its theoretical justifications. Nevertheless, African crowdfunding is at work and strongly compatible with the spirit of communal collaboration and sense of place that is cornerstone of many African cultures (Wolf, 2017; which is also included in section 3 of this thesis).

Chapter 3: From Harambee to Modern Crowdfunding: The Opportunities and Challenges in Sub-Saharan Africa

* **Note:** Sections 3.1. to 3.5. have been published by Emerald Publishing in 2017:

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Abstract:

The third essay explores crowdfunding in the context of sub-Saharan Africa, especially the opportunities and challenges of crowdfunding. Microfinance, which as traditionally played an important role in African entrepreneurial development, is complemented with the opportunities provided by crowdfunding. Particular emphasis is given to cultural aspects surrounding crowdfunding, linking this relatively new phenomenon to longstanding African cultural traditions, such as harambee in Kenyan culture. Ongoing trends surrounding crowdfunding are identified, such as the rise of mobile payments, highlighting the potential of crowdfunding in sub-Saharan Africa.

Keywords: crowdfunding, sub-Saharan Africa, cultural aspects, opportunities, challenges

3.0 Preliminary Commentary on the Significance of Sub-Saharan Africa

Chapter Three from section 3.1 onwards will explore crowdfunding in the context of sub-Saharan Africa, which first merits a preliminary commentary on the significance of Africa, justifying the focus on Africa for this chapter. Described by The Economist in 2000 as “The hopeless continent”, Africa’s economy at the writing of this thesis accounted still for only about four percent of the global economy. However, the

continent's rising significance on the global stage is increasingly evident in several dimensions. Three important dimensions underscoring the global relevance of sub-Saharan Africa will be reviewed in this short commentary, namely (1) the success trajectory of the African economy and the rise of an African middle class, (2) the geopolitical importance of sub-Saharan Africa, and (3) the academic interest in Africa.

3.0.1 The Success Trajectory of the African Economy and Its Middle Class

Many African countries have experienced impressive economic growth rates in the years following the turn of the century (McKinsey, 2010a), and African emerging economies have fared exceptionally well even in the aftermath of the global financial crisis of 2008-09. Although Africa is a resource-rich continent, McKinsey (2010b) pointed out that natural resources directly accounted for only a quarter of the continent's GDP growth from 2000 through 2008. That percentage rises to 32 percent if government spending from resource-generated revenue is added, as documented by that report. The remainder of economic growth was driven by economic activity in infrastructure development, manufacturing, as well as business fueled by consumer spending. It is in all of these three sectors that Africa still holds tremendous potential, with latter particularly sensitive to the evolution of the middle class. Chironga et al. (2011) opined in their *Harvard Business Review* article that Africa in 2011 held the same potential that China did in the early 1990s.

While the resource-driven and the early non-resource driven growth tend to accumulate wealth among a small circle of key players, later non-resource driven growth fosters more broad-based economic prosperity. Tschirley et al. (2015) observed that the African middle class has recently been growing 20 percent faster than the overall population. The middle class is essential for fostering sustainable economic prosperity in African

countries. While the rich may easily spend money abroad while travelling or at home but on imported goods, the middle class tends to demand more products produced nationally. The impact of the rise of the middle class has been felt in the magnitude of middle class consumption, which is forecast to increase from 256 billion dollars in 2009 to 448 billion dollars in 2020, and 872 billion dollars by 2030 (Kharas & Gertz, 2010).

There is no commonly agreed quantitative definition outlining what constitutes the middle class in Africa, even though Banerjee and Duflo's (2008) understanding that the middle class in developing countries typically includes those living between two and ten dollars a day is a frequently cited measure in literature. How anyone living on ten dollars a day in Luanda – Angola's capital and the world's most expensive city in 2015 – could be seen as middle class is a riddle we do not attempt to solve here. In any case, definitions going beyond numbers are probably more telling in our discussion of the middle class, which is aimed at appreciating the potential inherent in the rise of the African middle class, which is undeniably happening. Schor (1999) spoke of a new consumerism that defined that middle class. In that sense, the middle class is closely linked to an upscaling of lifestyle norms. The essential question to ask is: what does a family need to live a middle class life? The answer may be subjective, but living in a safe neighborhood, having a stable job, and access to health care and education are all likely elements of what constitutes a middle class life, in addition to the ability to engage in at least occasional leisure activities, such as a restaurant visit with the family. The emergence of supermarkets in Africa (Neven et al., 2006) is another indicator for middle class lifestyle.

Handley (2015) offers a multi-faceted review of why the emergence of a strong middle class can transform Africa in a wider sense, understanding the middle class as a (1) source of entrepreneurs, (2) source of aspirations through a galvanizing effect on

society, (3) source of capital, (4) source of consumption, and (5) source of political pressure on the state to improve governance.

These contributions of the middle class towards driving the transformation of African society document how Africa is likely to continue its successful path in a positively reinforcing manner. At the same time, members of the middle class cannot take their status for granted. Ravallion (2010) pointed out that the middle class was vulnerable to losing ground that had been gained during the last two decades, particularly if there were economic contraction. The importance for the future of the middle class in Africa lies in economic resilience. Governments in many African countries have engaged in long-term strategic initiatives to place future growth onto a solid base.

A prominent example is Kenya's Vision 2030 that was launched in 2008 by then-President Mwai Kibaki and that aims to shape Kenya strategically. The initiative foots on three pillars, encompassing the economic, social, and political dimensions that will be essential to the country's future path. The economic dimension of Vision 2013 features strategically important sectors of the economy, such as the development of tourism infrastructures, efficiency in agriculture, and fostering a Kenyan manufacturing sector that produces products that are competitive enough on markets in other East African countries. Kenya is already part of the East African Community along with Tanzania, Uganda, Rwanda, and Burundi. The economic pillar also emphasizes access to finance as an essential ingredient. Nairobi-based Equity Bank is an example of an Africa-born banking leader with a strong entrepreneurial culture that is already operating in markets beyond its Kenyan base (Zoogah & Wolf, 2017). The economic pillar of Vision 2030 is complemented with a social pillar and a political pillar, with the former focused on broad-based education, fostering a health system, and keeping a perspective on environmental impact; and the latter aimed at promoting government transparency and accountability, as well as a safe and peaceful society.

Africa is on the rise, and its successes received global attention. The title page of the Economist in 2011 proclaimed the headline “Africa Rising”, and in 2013 “Aspiring Africa”. Both lead stories paint a picture of Africa very distant from “The hopeless continent” that was perceived in 2000.

3.0.2 Geopolitical Importance of Sub-Saharan Africa

During the past two decades, Africa’s geopolitical importance has grown along with its economic emergence. One defining characteristic of sub-Saharan African geopolitical realities today is an unprecedented south-south collaboration. The term encompasses close collaboration between developing and emerging countries on across the Southern hemisphere (and partly reaching into the Northern hemisphere as well, most notably involving China – so the term south-south is not to be taken literally). What connects most of the countries involved in south-south cooperation is a similar economic situation and in many instances a shared history as colonies of European former colonial powers.

The relations between African countries and China are a particularly strong example of the magnitude of south-south cooperation. Gill and Reilly (2007) point out that Chinese leaders visit Africa regularly, and Beijing had welcomed the leaders from 48 African countries at the China-Africa Summit in 2006. King (2007) stated that China “pursued a gradualist and integrated approach towards cooperation that emphasized the mutuality and two-sidedness of the cooperation” (p. 337). Commentators frequently cite China’s appetite for natural resources as the key motivation for its engagement in Africa (Taylor, 2006). However, Gill and Reilly (2007) observed that Sino-African relations go well beyond natural resources, highlighting that the relations have been “friendly, respectful, and supportive” (p.37) their origins can be tracked by to the 1950s. And China provided

support to the newly founded African countries in the aftermath of their independence during the era of decolonization, even though China at the time “was itself isolated, poor, and beset with internal upheavals” (p. 37).

Mohan and Power (2007) emphasized that China’s engagement in Africa has been creating new choices for African development. Once a recipient of foreign direct investment (FDI) itself, China has emerged as a key investor across Africa (Sanfilippo, 2010), including through FDI in massive infrastructure projects that will lay the foundation for future economic growth. By 2008, Chinese companies had major ongoing infrastructure projects in 35 African countries (Foster, 2009).

South-south collaboration is by no means limited to economic and political cooperation: China’s higher education has long collaborated with sub-Saharan Africa (Gillespie, 2014). The links are also apparent in Chinese migration to Africa, which is partly a side-effect of large and frequently state-influenced Chinese investments in Africa (Mohan and Tan-Mullins, 2009).

While the south-south collaboration between China and Africa is a particularly strong example, there are countless other examples of bilateral or multilateral interactions, with the cooperation between Brazil, India, and South Africa cited as a trilateral example by Alden and Vieira (2005), bringing together three economic powerhouses. Some examples of south-south collaborations might not be as obvious: For instance, Hickling-Hudson (2004) pointed out the presence of Cuban teachers in Namibia. It is sometimes these unexpected collaborations that produce interesting outputs that lay the foundation for larger, impactful relations. The emergence of south-south collaboration has bestowed sub-Saharan African countries with new influence on the global stage.

3.0.3 Academic Interest in Africa

Africa's economic rise and increasing geopolitical influence has been accompanied by a surge of interest from researchers in the field of business. The recent establishment of an Africa Research Office by HBS in 2017 is one of many indicators of global academic interest in the continent. Musau (2017) pointed out that at Harvard entrepreneurship research in the African context enjoyed impressive growth.

Management as a research discipline has long globalized its scope, but Zoogah et al. (2015) pointed out that African organizations have not received much attention by management researchers. The tides have been changing with significant interest in the continent from the management research discipline, including its various sub-fields, ranging from human resource management to organizational behavior and entrepreneurship. The greater interest is accompanied by the emergence of new high-profile research outlets, such as the Africa Journal of Management (Nkomo et al., 2015).

The evolution of management research's sub-field of entrepreneurship research has been quite similar. Bruton et al. (2008) looked at the top nine entrepreneurship journals and found that between 1990 and 2006 less than one-half of a one percent of all articles examined entrepreneurship in emerging economies, i.e. the percentage of papers on Africa in particular is much lower. The emergence of China coincides with the period considered, which allows the inferences that the few articles on emerging countries were mostly centered on Asia.

More recent years have seen a surge of research on entrepreneurship in Africa, including some research on the entrepreneurial ecosystem. Robson et al. (2009) looked at entrepreneurship and innovation in Ghana, finding evidence that innovative startups were more common in conurbations than in small towns or rural areas, which might

relate to the geographic variations of entrepreneurial ecosystems conducive to innovation.

Sriram and Mersha (2010) discussed the role African government initiatives and strategies to stimulate and nurture entrepreneurial ventures. The range of interventions in practice can range from narrowly defined initiatives to broad-based entrepreneurship strategies.

Nafukho and Helen Muyia (2010) examined the entrepreneurship education and training in Kenya as a strategic approach to mitigating unemployment among school and university graduates. Maas and Herrington (2011) studied the role of higher education institutions in what they described as an entrepreneurial renaissance in South Africa. Even more elemental initiatives, such as those aimed at developing financial literacy, have also been linked to entrepreneurial success (Kojo Oseifuah, 2010). These papers are strongly covering the part of the ecosystem providing capacity building for future generations of entrepreneurs.

Sheriff and Muffatto (2015) took account of the state of entrepreneurship ecosystems in selected countries in Africa, making a substantial contribution to ecosystem research in the African context. Research on the African entrepreneurial ecosystem is not a novelty, and many themes have already been covered by research. However, given the dynamic nature of African economic development and the substantial reforms often undertaken in response to the expectations of the rising middle class, research on the entrepreneurial ecosystem is challenged to remain at the forefront of changing realities.

3.1 Introduction

Crowdfunding has recently attracted the attention of academic researchers and the popular media. Essentially a form of alternative finance, crowdfunding allows entrepreneurs to raise money from the “crowd”. Schwienbacher and Larralde (2012) defined crowdfunding as “an open call, essentially through the Internet, for the provision of financial resources either in the form of donations or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes”. Crowdfunding fundamentally changes the way entrepreneurs can raise money, opening up funding possibilities that had been unavailable in the past. Entrepreneurs are less limited by geographic constraints, with crowdfunding providing the option of raising smaller batches of money from funders wherever they might be located (Mollick, 2014). The way it works is simple: Entrepreneurs seeking funds for new undertakings announce their project on a crowdfunding platform, exposing their idea to the “crowd”. Project sites briefly summarize the idea for which funding is sought, typically supporting the message by the inclusion of photos or videos, to help sell the idea. The crowd then evaluates and decides whether it wants to pledge money for the project. Depending on the project, relatively small sums from each backer might be enough to reach impressive sums collectively. A case study is Oculus Rift, which surpassed its initial funding goal of a quarter million dollars within four hours, ending the campaign with more than 2 million USD.

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A variation is rewards-based crowdfunding, where backers receive the product whose development is to be financed with the funds raised. Many crowdfunding projects are operated under an all-or-nothing approach, where the project will only go ahead once a minimum amount of money has been pledged, ensuring that the entrepreneur only proceeds when there is sufficient interest.

Africa has recently seen a rise of crowdfunding activity, which has been reported about enthusiastically by popular international media, including CNN (Page, 2015) and the BBC (Mulligan, 2015). The BBC article fittingly headlined the article as: “Africa Discovers the Power of Crowdfunding” (Mulligan, 2015).

3.2 The Opportunities of Crowdfunding in Africa

3.2.1 How Crowdfunding can Transform Africa

Research has shown that crowdfunding creates new efficiencies in capital markets (Colgren, 2014). The increase of efficiencies is partly rooted in the fact that new technologies lower the barriers to financing for entrepreneurs. Just as important is the role of the “wisdom of the crowd” (Surowiecki, 2004) in identifying high-potential ventures and ideas. Schwienbacher and Larralde (2010) observed that crowds can be more efficient than individuals or small teams in making choices (Howe, 2008), pointing out that the efficiency of crowds results from their diverse composition (Brabham, 2008).

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This opportunity of increasing market efficiency is particularly relevant for Africa. Transition economies, such as those in many sub-Saharan countries, tend to exhibit less efficient capital markets than more developed countries (Durnev et al. 2004). In that sense, crowdfunding represents an opportunity for sub-Saharan Africa to refresh its capital markets, with crowdfunding emerging as an alternative to other forms of entrepreneurial funding.

This is particularly true in the context of high-impact entrepreneurship, where crowdfunding can advance the game. High-impact entrepreneurship is frequently about innovation, and occasionally about game-changing innovation. Empirical research has identified the potential of crowdfunding to finance highly innovative projects (Deffains-Crapsky & Sudolska, 2014). In both large and small projects, following the wisdom of the crowd, pledged money tends to find its way toward promising projects with the innovative potential to improve the way our world works. As Linda Rottenberg, co-founder and CEO of Endeavor, wrote in a guest commentary on CNBC: Entrepreneurs in emerging markets face barriers to growth, including access to smart capital (Rottenberg 2012). Schäfer and Schilder (2009) view smart capital as a financial relationship between a provider of finance and new innovative businesses, under the condition that there are “pronounced reciprocal information flows between the financier and the financed company”. Conventionally, such a reciprocal relationship occurs between entrepreneurs and their business angels or venture capital financiers. In the crowdfunding context, such an interaction can take place, especially when social networks are tied into the crowdfunding process (Kuo & Gerber, 2012; Quero, Ventura & Santoja, 2013).

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The needs of potential customers can be incorporated more actively in the innovation process (Chesbrough, 2006). Potential customers become part of the product and therefore can identify more readily with that product. A recent BBC report featured a South African movie producer who not only raised over 100,000 Rand through Thundafund, but who also found that crowdfunding helped her build a fan base (Mulligan, 2015). Examples such as this film maker's crowdfunding campaign embody some of the spirit of what literature understands as smart capital and which sub-Saharan Africa needs to boost its entrepreneurial development.

Empirical studies from sub-Saharan Africa have shown there is still potential to increase market-orientation among companies in Africa, even though strong efforts have been undertaken and already yielded some results. Osuagwu (2006) in his study of Nigerian businesses found that market orientation practices are dependent on the category of business and its size. Winston and Dadzie (2002) observed that an emphasis on market orientation is only marginal in Kenya and Nigeria, where they conducted their study. In that sense, the dynamics of successful crowdfunding projects provide for a stronger interaction between innovators and users, ensuring that products are more likely to be made for their market.

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3.2.2 Microfinance – Its Contributions and How Crowdfunding Can Complement It

Mollick (2014) explained that crowdfunding has its roots in both microfinance (Murduch, 1999a) and crowdsourcing (Poetz & Schreier, 2012). Given that microfinance has traditionally played a key role as a form of entrepreneurial finance on the African continent, it's important to explore more closely the link between microfinance and crowdfunding.

The positive impacts of microfinance has been documented in many accounts, most notably a reduction of poverty (Khandker, 2005). However, the positive impact of microfinance exceeds merely economic results, having a wider positive social impact: Kim et al. (2007) found that microfinance led to a reduction of partner violence in South Africa through the empowerment of women. Microfinance has positively affected the economic livelihoods of millions of Africans and will continue to play a major role in the development of entrepreneurs in Africa.

However, microfinance depends heavily on subsidies (Morduch, 1999b) and therefore may not be considered a system that is self-sustainable. Admittedly, those subsidies might be considered necessary as a catalyst (Samson et al., 2013) to set into motion a wider economic development that eventually leads to financial sustainability in a continent marked by poverty. However, as argued by Buckley (1997) there is evidence of more profound socioeconomic problems that limit the success and impact of microfinance.

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Specifically, Buckley (1997) goes on to conclude that entrepreneurs that utilize microfinance typically do not move onto “higher or more sophisticated levels of operations, increasing income flows or levels of employment.” Those observations are in line with Endeavor CEO Rottenberg’s observation that it would take 273,000 new microfinance companies to achieve what only 105 mid-sized high-impact ventures would achieve in terms of economic and employment impact (Rottenberg, 2012).

De Haan and Lakwo (2010) showed that microfinance has only marginally improved the well-being of microfinance clients, arguing that we should aim at social emancipation in its own right instead of focusing on poverty reduction. This emancipation can happen through the creation of “new economic, social, institutional, and cultural environments” (Rindova et al., 2009: 477). As a result of this more profound process of change through crowdfunding as an increasingly prominent phenomenon in the entrepreneurial ecosystem, more extensive empowerment can be achieved. Interestingly, Velthouse (1990) found a strong link between creativity and empowerment. Although this study refers to an organizational context, it can be argued that this link between creativity and empowerment is applicable to a broader societal and economic context. And crowdfunding platforms can really be a catalyst for creativity that leads to sustainable and continuously innovating ventures. Crowdfunding, with its strong links not only to funders but also to potential customers, can put entrepreneurs with innovative ideas on a more promising market-focused growth path. The backers are essentially endorsing a new, creative project to move forward.

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As is typical in crowdfunding, a project may only go forward if it attracts funds beyond a threshold (Parker, 2014), bearing in itself of component of validation and democratic consensus of the community of economic agents. We have to bear in mind that crowdfunding backers represent a wide range of society, including people from different age groups and backgrounds (Lin, Boh & Goh, 2014). The success of crowdfunding is deeply rooted in the notion of the wisdom of the crowd, a phenomenon which received the attention of Surowiecki (2004), who showed that larger groups may make better decisions collectively than individuals or small elite groups.

3.2.3 Crowdfunding and African Culture

Crowdfunding is also deeply rooted in the community – it takes a crowd to have crowdfunding. One natural ingredient of crowdfunding is that of social reciprocity. Sub-Saharan cultures embody the spirit of communal reciprocity. Kenyan culture has lived on harambee for centuries. Harambee is the provision of goods through the voluntary cooperation of members of the community (Wilson, 1992). Other sub-Saharan cultures have different names for a similar concept. In Tanzania, ujamaa is used in the Swahili language (Mbithi & Rasmusson, 1977). After Tanzania gained independence in 1961, the term ujamaa was also used in a political sense, forming the underlying concept of the country's economic development policies.

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The noted Africanist and political scientist Göran Hydén introduced the notion of “the economy of affection,” which has at its core the concept of social solidarity among peasant communities in East Africa. Hydén (1980) noted that by default each African peasant is an independent, autonomous unit with cooperation among peasants being “not structurally enforced but purely a superstructural articulation rooted in the belief that everybody has a right to subsistence” (p. 13). He further observed that the peasant mode of production “gives rise to an economy in which the affective ties are based on common descent, common residence” or other culturally rooted connections (p. 18). The economy of affection is situated in the context of social considerations where favors are exchanged among the members of the community.

According to anthropologist Evans-Pritchard (1940), the Nuer in South Sudan and Ethiopia practice a collective responsibility of self-help within their communities. The principle of self-help and collaboration is also prevalent among the Tiv in northern Nigeria, particularly in the Benue Valley (Bohannon, 1955). Crowdfunding should take account of these cultural traditions and establish itself as an alternative form of entrepreneurial finance where the community comes together to give support to entrepreneurs putting their ideas into practice. While many traditional customs have been replaced by a more Western lifestyle (Oyebade, 2007), there are also trends towards a greater practice of traditional cultural norms (Kleist, 2011).

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Applying Hofstede's scale of individualist versus collectivist culture, the African cultures tend to be rather collectivist (Eaton & Louw, 2000). This collectivist tendency shines through in many aspects of life, including business and management, most notably in the concept of ubuntu, a transformative leadership style that has emerged in Africa and is intricately rooted in long-standing culture (Ncube, 2010). The social capital of the entrepreneur seeking crowdfunding has long been recognized as a success factor for crowdfunding. A study by Zheng, Li, Wu and Xu (2014) looked at the importance of social capital in crowdfunding in the context of two societies, comparing an individualistic society with a more collectivist one. They found that social capital in a crowdfunding context as a success factor plays a more influential role in collectivist societies. The entrepreneurs in collectivist societies were found to have a stronger network to start with and use as a basis of initial support for their crowdfunding campaigns. Crowdfunding is naturally poised to flourish in the African cultural context. Hofstede and Bond (1988) argued that the collectivist nature of societies can lay the foundation for future economic growth and the prosperity that arises from it. While their study established a link between Asia's economic surge and society's cultural roots in early Asian philosophy, e.g. Confucianism, a similar link can be argued for African cultures. Crowdfunding in a cultural context can be among those drivers that may invigorate entrepreneurial growth in Africa.

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3.3 The Challenges

3.3.1 Network Externalities

Potential challenges of crowdfunding in Africa could stem from what researchers refer to as network externalities. The dynamics of social networking sites like Facebook serve as a good example to illustrate the concept and the implications of network externalities. Facebook works because users have a reason to go there because there are other users with whom they can interact. In 2016, Facebook hit a record of 1.65 billion active users. The large amount of users is what breathes life into social network sites. Imagine a social networking site with little or no users. No matter how well designed the site's infrastructure might be, a social networking site with no users would be of no value. Another frequently given example to illustrate network externalities is the example of the fax machine: As pointed out by Takeyama (1994, p. 155), the "value of a fax machine to a consumer will depend directly on the number of other consumers who also own (or have access to) fax machines." A wider issue in the African context is the general access to internet. Over the last few years, access has improved thanks to internet-capable mobile devices. Before the rise of the smartphone, internet access required a personal computer, which greatly limited use for many Africans (Oyelaran-Oyeyinka & Lal, 2005). In 2005, the International Telecommunications Union estimated that only two percent of Africans had internet access.

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More recent estimates show that currently about 20 percent of Africans have access to internet, which is still far below the 80 percent of Europeans having internet access. The rise of the smartphone holds great potential in facilitating access to the world-wide web, as even among the poorest 20 percentile of households, seven out of ten households have a mobile phone, with more and more mobile devices capable of internet browsing.

Experiences with some African crowdfunding platforms have shown that “a large number of projects submitted are not mature enough to attract funders” (Reidy, 2015). Therefore, even when some potential funders become enthusiastic about crowdfunding and start showing interest, they might lose their interest if there aren’t many exciting projects posted on the platform they visit. Even though the underlying concept of crowdfunding, i.e. giving money to support others, is naturally embedded in African culture (e.g. harambee), the dynamics of network externalities on websites might hinder its success. The problem is magnified when there are many smaller platforms to choose from, spreading crowdfunders across many different platforms. This process tends to make participation in many individual platforms rather thin.

3.3.2 Regulatory Issues

Crowdfunding also presents regulatory issues. Even in countries with advanced and mature financial systems and regulatory frameworks, there is a strong debate about regulating crowdfunding. While some crowdfunding projects might be philanthropic in nature, other projects can be used to finance a business, which is typically subject to heavy regulation (Hazen, 2012).

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Legal scholars still contribute to the debate with their proposals, as seen by Bradford's (2012) proposal to introduce some regulatory exemptions under U.S. law for smaller projects. The debate is marked by a tension, as analyzed by Cumming & Johan (2013): On one side are the entrepreneurs and platforms with the desire for less regulation to maximize crowdfunding activities. On the other side there are investors with an interest in more disclosure and oversight. This chapter will not attempt to analyze the regulations of the various sub-Saharan countries affecting crowdfunding. It suffices here to emphasize that regulating crowdfunding is a delicate issue, where policy-makers have to balance a variety of interests. Africa is a continent with many countries that have strong economic links. Further, there are attempts to promote greater economic integration, such as the integration of financial markets (Agyei-Ampomah, 2011). Those economic integration processes across the African continent are not always straightforward, presenting some obstacles along the way (Geda & Kebret, 2008). Again, taking up the issue of crowdfunding regulation, one can only imagine that an Africa-wide coordination among the various national crowdfunding industry entities and stakeholders would contribute useful insights into the debate.

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3.4 Trends

3.4.1 Mobile payments and how they make crowdfunding more natural

One key trend in sub-Saharan crowdfunding is the emergence of crowdfunding platforms that incorporate the use of mobile phones in the funding processes. This trend is riding on the broader wave of mobile payments and banking that is sweeping across sub-Saharan Africa (Mbogo, 2010). The prevalence of mobile payments and mobile banking positively impacts the financial development on the continent (Asongu, 2013; Morawczynski, 2009). Those mobile financial applications have been integrated smoothly into crowdfunding platforms. A prominent illustration can be found in M-Changa. One of the most well-known crowdfunding platforms from sub-Saharan Africa, the Kenya-based M-Changa allows users to channel funds to projects via mobile payments. The payment process can be as simple as sending an SMS. Co-founded by Kyai Mullei and David Mark, the platform M-Changa differentiates itself through emphasizing its strong cultural attachment to the East African harambee culture (Hurst, 2014). The platform essentially “turns traditional giving practice on its head, places it into hyper-drive and lets popular mobile technologies do the rest” (M-Changa, 2016). In that sense, M-Changa is also in line with a growing respect for existing cultural traditions in business (Darley & Blankson, 2008; Karsten & Illa, 2005). The key observation is that the incorporation of mobile processes makes the giving of money, which crowdfunding is all about, as easy, convenient and culturally natural as harambee has been for ages in East African culture. The model of M-Changa was successful in 2015 in expanding the platform into Tanzania (Disrupt Africa, 2015).

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The evolution of the mobile phone has broken barriers in ways unimaginable a few years back. During the early or even mid-2000s, the mobile phone was mostly just that: a mobile phone. Within just ten years, the mobile phone has evolved into a device allowing its users to manage a wide range of life aspects, with the phone function itself having become a small fraction of all the tasks that people use smartphones for. The decade that started in 2010 boosted a process of convergence where the users of smartphones witnessed that they as individual persons and their mobile devices came to melt more and more into one natural unit, opening up growth potential for mobile-powered crowdfunding. Maney (2016) painted an outlook in a Newsweek article on the direction into which smartphones are headed. Essentially, the Newsweek author made the case for why users are going to actually use smartphones much less than they do now, at least consciously. This is because the cloud and artificial intelligence are poised to perform functions for the user. People might no longer need to choose which app to open for a given task, as the system will take care of that in the background. All that the users have to do is say out loud what they want, such as saying that they want a cheese pizza and the order will be delivered. The user melts into one holistic unit with the smartphone, even with the possibility of having a device implanted under the skin. What may sound like science fiction is poised to become reality.

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3.4.2 Industry Self-Organization

Far from taking steps towards a consolidation of the continent's various crowdfunding platforms, the industry's stakeholders in sub-Saharan Africa have nevertheless taken steps toward building a spirit of collaboration and partnership among crowdfunding professionals and organizations.

As a result of an initiative by the crowdfunding platforms Thundafund and WealthMigrate, the African Crowdfunding Association (ACfA) was launched in 2015. The goal of the ACfA is to lobby for efficient crowdfunding legislation and regulation, increased public awareness on the potential of crowdfunding, and to create the conditions for a more cohesive industry structure (Jumpstarter, 2015). The list of organizations and individuals that have enrolled to support ACfA is long and includes key African crowdfunding platforms and organizations, including M-Changa, Jumpstarter, and the Uganda Crowdfunding Network. ACfA received initial international recognition when its scope of supporters grew to include the China Crowdfunding Society and the Crowdfunding Institute of Australia. The international partners of the association not only give it credibility but also access to global experience, putting it in a position where it can benchmark sub-Saharan crowdfunding practices and industry approaches with that of other parts of the world.

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Some crowdfunding platforms joined networks to not only organize within the sub-Saharan crowdfunding community but also to create connecting points with other investors and actors in the sub-Saharan entrepreneurial ecosystem. Kenya-based crowdfunding platform M-Changa joined the VC4Africa initiative, which is a large online community of formal and informal investors. VC4Africa was founded in 2008 by Ben White and has grown to include 17,000 members and 2,500 registered companies (Nesehe, 2015). The idea behind the initiative is to “connect Africa’s most promising entrepreneurs with the resources (knowledge, network and capital) they need to realize their potential” (Nesehe, 2015).

3.5 Conclusion

Sub-Saharan Africa presents an atmosphere highly conducive for crowdfunding to function well in supplying the capital needed for entrepreneurial ventures to grow. Modern crowdfunding is a reinvention of centuries-old and culturally rooted sub-Saharan practices of individuals helping each other through communal reciprocity. While modern crowdfunding presents challenges, such as those resulting from network externalities, the practice of crowdfunding in sub-Saharan Africa can overcome those challenges in a uniquely African way. The significance for Africans of mobile phone devices in performing the tasks of managing daily activities helps make crowdfunding a natural part of life.

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Through the integration of crowdfunding and social media, the phenomenon of crowdfunding is a form of “smart capital” in which entrepreneurs, funders, and future users can drive the innovation process together. In that sense, crowdfunding can drive innovation in sub-Saharan Africa through co-creation. The concept of co-creation was first popularized by Prahalad and Ramaswamy (2000) in a Harvard Business Review article on “Co-Opting Customer Competence”. Co-creation continues to gain attention in fast-paced world in which customers desire solutions to their ever changing needs. Crowdfunding has an important role to play in this process of co-creating innovation, and sub-Saharan Africa is part of this new phenomenon by rooting it in a reinvented tradition.

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Chapter 4: Transnational Acceleration and its Operational Cost, Performance, and Value Added: Insights from Building Global Innovators

* **Note:** Christian Wolf is the first author of this paper. Luís Carvalho, Jose Paulo Esperança, and Gonçalo Amorim will appear as co-authors if there is an eventual publication of this essay.

Abstract:

Accelerators are part of the entrepreneurial ecosystem and provide support and guidance to startups, accelerating their growth. Transnational accelerator programs are a particular form of acceleration, offering startups fast-track access to different geographical locations. Focusing on innovation-driven entrepreneurship, this study explores the purposefully selected case of Building Global Innovators, which is a transnational accelerator based jointly in Portugal and Massachusetts. This study explores the extent of financial resources that the transnational accelerator program consumes in terms of its operating expenses in the context of the overall performance of the transnational accelerator program. Applying qualitative research, it has also explored the core value-added that a transnational accelerator provides to the startups it hosts.

Keywords: entrepreneurship, transnational entrepreneurial ecosystem, accelerator programs

4.1 Introduction

Starting an innovation-driven business is a challenging process for entrepreneurs at various stages and milestones, with success hinging on both individual and regional, environmental factors (Rotefoss & Kolvereid, 2005). Various studies have shown that the selection of the location as a venture's *home* can be a conscious decision (Biggiero, 2006), although most novice entrepreneurs will incorporate at their current location. Knowledge-driven entrepreneurs primarily and normally have at their disposal the resources embedded in their regional entrepreneurial ecosystem. However, some studies have pointed out that entrepreneurs in one region can gain access to distant entrepreneurial ecosystems and to the resources embedded in those distant regions (Korsgaard et al., 2015; Vale & Carvalho, 2013). Appropriately, Korsgaard et al. (2015) phrased this notion as “getting the best of both worlds”. Such a transnational mechanism can be especially attractive to entrepreneurs facing limitations inherent in their “home” ecosystem.

Startup accelerator programs have recently gained greater attention in research on the entrepreneurial ecosystem. One particular form is transnational acceleration. This paper will explore transnational acceleration through the case of the transnational accelerator Building Global Innovators (BGI), which is very much aligned with the inter-regional aspect identified in Korsgaard et al. (2015). In particular, the paper will explore the extent of the financial resources that a transnational accelerator consumes in terms of its operating expenses in the context of its overall performance. The study will also

illuminate further what is the core value-added that a transnational accelerator provides to its beneficiaries.

BGI is located in Lisbon, and it is part of a program run jointly between the Massachusetts Institute of Technology and various Portuguese institutions. Lisbon is located in a peripheral country of Europe in the southwestern corner of Europe. Structural economic weaknesses have been persistent in Portugal for a long time. In recent years, Lisbon has emerged as a “Startup City” as result of various private and public initiatives, leading to various improvements in creating better conditions for entrepreneurship and innovation. BGI serves as an ideal and carefully selected case that illustrates transnational acceleration good practice.

4.2 Literature Review

4.2.1 Importance of Innovation Entrepreneurship and Its Obstacles in Disadvantaged, Low-innovation Regions

Literature has established a link between entrepreneurial activity and the economic performance of regions (Audretsch & Fritsch, 2002; Acs & Armington, 2003). Audretsch and Keilbach (2004) showed empirically that regions with high levels of entrepreneurship stood out with stronger productivity growth. They argued that entrepreneurship is a regional driver for creating diversity of knowledge. However, the analysis would need to keep in mind that there is empirical evidence that the type of entrepreneurial activity moderates the impact on economic growth, as Mueller (2007) found that innovation-driven start-up activity has a greater impact on economic growth than general entrepreneurship.

It is therefore necessary to zoom in on a Schumpeterian understanding of entrepreneurship. Schumpeter (1934) sees the entrepreneur as an innovator, who creates a new combination, i.e. an innovation, and pursues it on the market as a business opportunity. Long after Schumpeter, innovative entrepreneurship has remained at the center of research attention (Ferreira, Fernandes, and Kraus, 2017). In contrast, Kirznerian entrepreneurship does not see innovation as a necessary element of entrepreneurship, as Kirzner (1973) understands entrepreneurship more in the sense of arbitrage whereby entrepreneurs “are able to see where a good can be sold at a price higher than that for which it can be bought” (p. 14). Technology entrepreneurship, frequently associated with the example of Silicon Valley, embodies the Schumpeterian notion of entrepreneurship (Wonglimpiyarat, 2006).

An impressive example of measurable economic impact of entrepreneurship is documented by Roberts and Eesley (2009) in their study on the entrepreneurship by alumni of the Massachusetts Institute of Technology. Of the 25,000 active ventures started by MIT alumni 6,900 are located in Massachusetts itself, with a combined worldwide sales volume that amounts to 26 percent of sales of all Massachusetts-based companies. Worldwide, ventures started by MIT alumni employed about 3.3 million people at the time when the study was conducted. Given the heavy technology focus of the student body at MIT, the vast majority of these alumni-started ventures are presumed to be associated with innovation-driven entrepreneurship.

While innovative entrepreneurship is important from a macroeconomic viewpoint, it must be noted that innovative firms are not distributed uniformly across different geographies. In fact, within a country, innovative firms tend to concentrate in a few metropolitan areas (Simmie, 2003), but also some sub-national regions may have higher concentrations of innovative firms over other sub-national regions: Pinto (2009)

examined 175 European sub-national regions and found that significant regional variations exist. Germany stood out as a particularly telling example based on the study's classification of regions by technological innovation, with Western districts scoring much higher than Eastern districts. Regional variations stood out in most European countries based on Pinto's calculation. For instance, Northern Italian regions scored higher than Southern Italy; the center and north of Portugal outperformed the rest of the country; or Southeastern England ranked higher than other parts of the United Kingdom. And ultimately, entire countries stood out as more or less apt for technological innovation than others. A glance at Pinto's map shows that all regions of Portugal, Spain, and Greece underperformed the European average.

Some geographic regions are less conducive to innovation-driven entrepreneurship. The reasons for disadvantages are manifold and have been explored at length in existing literature, a small sample of which is presented in the following to set the stage for the subsequent discussion of transnational acceleration. In line with Pino (2009), it stands out that many disadvantaged regions are located away from core economic areas. These disadvantaged peripheral regions might lack access to key networks. Butler and Hansen (1991) emphasized the role of networks on regional entrepreneurial development. Similarly, peripheral regions might be more homogenous. Audretsch et al. (2010) found that cultural diversity has a positive impact on new venture foundations. Davidson (1995) found that regional cultural differences, although in that study relatively small across regions, had a significant impact on how entrepreneurship and venture creation plays out in various regions.

These characteristics of disadvantaged regions tend to perpetuate themselves, making it hard for regions to overcome the structural weaknesses preventing them from improving their propensity to innovation. Brain drain is a frequently cited phenomenon, affecting entire countries. The eurozone crisis starting in 2009, and which particularly affected

Southern Europe, led to significant migration of young and highly educated people away from Portugal, Spain, Greece, and Italy (Bartolini, Gropas, and Triandafyllidou, 2017). The absence of these particularly talented minds made recovery even more challenging for these economies, also in terms of providing talent to support innovative ventures as collaborators.

Regional age structure can also impact the propensity to entrepreneurship. Bönnte, Falck, and Heblich (2009) found an inverse U-shaped relationship between the regional age structure and regional start-up activity, finding that regions with a substantial population of mid-aged people, presumably with prior professional experience, experience more pronounced entrepreneurial activity. They also found that age-specific likelihood of becoming an entrepreneur changes with the size of the age cohort, which points to the existence of age-specific peer effects. Once again, it can be presumed that in Southern European countries marked by brain drain of young professionals, the propensity to innovative entrepreneurship as a result of society's age structure has been further diminished by the outward migration.

It is challenging for disadvantaged and often peripheral regions to overcome their regional disadvantages through constructing regional advantages (Karlsen et al., 2011). In their study on the meagre results of biotechnology initiatives in the Scandinavian regional periphery, Karlsen et al. (2011) found that the culprits were inexperience with industrializing the intellectual knowledge and problems with the spillover of market knowledge. Access to resources and markets is a problem for entrepreneurs operating out of peripheral regions (Felzensztein et al., 2013). Unlike regional age structure, the deficiencies identified in the Scandinavian case study might realistically be overcome in the short or mid-term through public or private interventions. Key players in the entrepreneurial ecosystem might lend a helping hand to entrepreneurs struggling to

overcome peripheral weaknesses that hinder the success of innovation-driven entrepreneurship.

4.2.2 Promoting Entrepreneurship through Acceleration

Ventures do not exclusively rely on firm-specific, internal capabilities, but also on the external environment (Feldman & Kogler, 2011; Gertler, 2003), in particular ventures can benefit from support infrastructure. The need for the promotion of entrepreneurial activity, and the tools to do so, have been discussed extensively in relevant literature (Audretsch et al., 2007). Through specific interventions, entrepreneurship can be promoted (Stam, 2015). Ventures in some regions have an entrepreneurial ecosystem more supportive of entrepreneurial activity than their counterparts in other regions. Saxenien (1994) argued that the entrepreneurial success of the Silicon Valley region was rooted in a high local capacity for the promotion of entrepreneurship

Audretsch and Keilbach (2005) referred to *entrepreneurship capital* as the capacity of society – presumably through particular actors – to generate entrepreneurial activity.

A relatively recent class of external support for entrepreneurs is available in the form of accelerators. These are fixed-term and cohort-based programs for new ventures where the entrepreneur team is proactively supported by the accelerator program through mentorship, training, and investment (Cohen, 2013). Acceleration as a formal program can be traced back to 2005 (Hochberg, 2015), when Y Combinator was established with programs initially held in Cambridge and in Silicon Valley (from 2009 on all programs were held in Silicon Valley). The renowned venture capital firm Sequoia Capital has participated in the Y Combinator as an investor in ventures). While the Y Combinator is prominent as a pioneer example, many accelerator programs have followed. In more

recent years, a few large corporations have taken up the concept, establishing corporate startup accelerators, offering selected startups the opportunity to engage in entrepreneurial growth with the support and investor participation of corporations (Kohler, 2016).

As documented in Hochberg (2015), research on accelerators can be classified into two basic groups: The first group is conceptual research on what constitutes an accelerator and research on how accelerators are actually accelerating companies (see the following examples: Cohen (2013), Radojevich-Kelley and Hoffman (2012), and Kim and Wagman (2012)). The second group, according to Hochberg (2015), are studies examining whether accelerators have a positive effect on participating startups. Examples of this second group are Hallen et al. (2014) and Smith and Hannigan (2016). Indeed, some additional studies have performed further impact assessments on accelerators: Yu (2014) examined the impact of accelerators on high-technology ventures.

The body of published research on business incubators is much more developed and dense than that on accelerators. They are related but different concepts: Accelerators have a more explicit focus than incubators on accelerating the growth of firms (Bosma & Stam, 2012), and incubation does typically not involve investment from the incubator. Nevertheless, it is worthwhile to go on a brief excursion to literature on business incubators to anticipate which unexplored dimensions might exist in the realm of acceleration. Interestingly, Carayannis and Von Zedtwitz (2005) proposed a model of global-local incubator networks, particularly in less developed countries. Their study argued that the global-local incubator model “can help bridge knowledge, digital, socio-political and even cultural divides and help increase the availability, awareness, accessibility and affordability of financial, human, intellectual, and even social capital” (Carayannis & Von Zedtwitz, 2005: p. 95).

A corresponding lens does exist in the context of acceleration, and particularly relates with the dimension of regional disadvantage that may be overcome by going beyond the region: transnational acceleration. The phenomenon of transnational acceleration has not yet been explored much through research. Carvalho et al. (2016) represents a rare exception, as it was a study on BGI as a transnational accelerator that offers Portuguese ventures access to the international entrepreneurial ecosystem, as it is based jointly in Lisbon and Massachusetts.

A transnational acceleration program goes beyond the scope of what more common non-transnational programs can accomplish for entrepreneurs. As the operating entities typically have limited resources and therefore are faced with the need for trade-offs (Murdock, 2012), the costs have to be put into the context of the benefits. The question of the input-output relation of acceleration in general is uncharted territory in research. In contrast, incubator research has addressed that question with research such as Markley and McNamara (1995), whose findings were relevant and incorporated into many subsequent studies, such as Felsenstein and Persky (1999), Hannon and Chaplin (2003), or Barbero et al. (2012).

The present study aims to illuminate the following research questions:

- 1) What is the extent of financial resources that a transnational accelerator consumes in terms of its operating expenses in the context of the overall performance of the transnational accelerator?
- 2) What is the core value-added that a transnational accelerator provides to its beneficiaries, i.e. the startups it hosts?

4.3 Building Global Innovators - The Concept, its Roots, and its Practices

Building Global Innovators (also known by its shorter acronym BGI) is a transnational accelerator. The accelerator is based jointly in Lisbon, Portugal, and in Cambridge, Massachusetts. The initiative is part of the MIT Portugal program (MIT-PT), whose roots date back to 2006, when MIT-PT was launched in collaboration between the Massachusetts Institute of Technology and the Portuguese government. A strategic program with government involvement, MIT-PT has received attention from academic researchers as an example of an increasingly popular collaborative strategic policy instrument for innovation capacity-building (Pfothenhauer, Roos, & Newman, 2013).

BGI itself was officially launched in 2010. Aimed at aspiring technology entrepreneurs, BGI selects a cohort of startups in each edition of the program, helping them scale up their ventures and preparing them for a global market launch. An effective market launch can be a challenging process and is important any company (Benedetto, 1999). This is an observation which can be assumed to be especially true for startups due to their rather fragile financial muscle (Giardino et al., 2014) and the high expectations of the providers of venture capital: new ventures are expected to deliver. BGI provides globally-oriented support to its participating startups, relying on a small team with a diverse set of relevant skills, and counting on a large network of vetted experts both in Portugal and abroad. Ventures that were selected to join the BGI accelerator benefit from the vast resources embedded in BGI and the opportunities it provides for mentoring, training, and entrepreneurial development. BGI startups undergo a rigorous process of self-reflection and feedback before they approach potential investors – an

approach that avoids a premature scaling of ventures without meticulous validation of their business concepts. Specifically, each venture invited to join BGI is exposed to more than 1,150 hours of expert mentoring aimed at fine-tuning their value proposition (see Carvalho et al. (2016) for a more detailed description of the workings of BGI).

At the inception of BGI, the funding for the operation of the accelerator almost entirely stemmed from ISCTE – Lisbon University Institute (ISCTE-IUL), which is a public university in Lisbon where the BGI offices are physically based at. Later on, the organization was spun out of ISCTE-IUL as an independent company with two founding shareholders: ISCTE-IUL and Caixa Capital, the latter of which is the venture capital arm of a state-owned bank in Portugal that acts with private structures.

4.4 Data Collection and Methodology

4.4.1 Selection

BGI was selected for this study as it is a transnational accelerator located in a peripheral region of Europe which during the early 2010s still was characterized by below-average conditions for innovation-driven entrepreneurship as an extension of the weaknesses that Pinto (2009) pointed to. More recent evidence shows that by the second half of the 2010s the conditions in Portugal have markedly improved as pointed out in BGI and EIT Digital (2017). Therefore, BGI represented a program particularly well suited to benefit from transnational access especially during the early years of the decade. Furthermore, BGI is targeted towards technology startups, placing in line with the innovation entrepreneurship that the literature review zoomed in on.

Additionally, at the time of the writing of this study, BGI counted 117 alumni companies which resulted in the launch of over 50 new ventures, having created more than 400 highly skilled and specialized jobs in the midst of a macroeconomic crisis. More than EUR 73 million were raised in financing (non-dilutive and dilutive sources). International benchmarking places BGI among the top accelerators in Europe, occupying a position ahead of Techstars London (EUR 62 million) and closely behind others, including London-based Seedcamp (EUR 250 million) and Startupbootcamp (EUR 122 million), which operates with ten accelerator programs in nine locations (Carvalho et al., 2016). In light of those metrics, we present the choice of BGI for this study as a result of purposeful sampling (Patton 1990). The fact that BGI is based in a peripheral country and that BGI is an innovation and technology-focused accelerator can be the basis for the claim that we selected a politically important case, which is likely to increase the impact of the study (Patton, 1990).

4.4.2 Quantitative Data on BGI and Startups

Within the BGI system, two classes of quantitative data were collected. The first class consists of performance data on BGI startups, whereas the second class of data consists of metrics on the operational expenses of BGI. The data about the performance and evolution BGI startups was collected regularly since the program's inception through regular surveys among BGI startups. This data measured, among other items, the amount of venture capital raised and the number of jobs created by each BGI startup, expressed in full-time equivalents. In our analysis, both venture capital raised and job creation will be used as the measures of performance. Venture capital raised is a critical success measure for technology ventures, and job creation was considered as it captures

the new ventures' success more appropriately than alternative measures, such as survival rates (Barbero et al., 2012).

The data presented in this study is aggregate data encompassing data from all startups in each edition studied. While our dataset was assembled from company-specific data, the study does not explicitly show this company-level data due to confidentiality agreements between BGI and the individual startups. However, for the purpose of our study only aggregate data is sufficient, as we aim to assess the overall performance of BGI and put it into context of the cost of operating BGI. The second class of data stems from internal records of BGI on the resources it invested in the operations of the accelerator in each edition. Those metrics essentially capture the expenses necessary for the operation of BGI, including among other items the salaries for the staff of the BGI accelerator.

Even though BGI was in its seventh edition at the time of the study, we are primarily looking at the first three editions, as these capture an ecosystem characterized by conditions for innovation entrepreneurship below the European average, as previously discussed with reference to Pinto (2009). By the second half of the decade of the 2010s, the Portuguese ecosystem's propensity towards innovation has already markedly improved (BGI & EIT Digital, 2017). Additionally, a more generic justification for the focus on the first three editions is rooted in the technology-based nature of the startups participating in BGI. Tech startups require some time to unfold their impact in terms of job creation. Time is a factor (Markman et al., 2005), as the very nature of complex technologies and innovation implies that time is needed for the products to be developed and the organization to be scaled. On the other hand, the time it takes to bring a product to the market can be reduced through various initiatives, including when the startup has an externally aware business model, exposing itself to external ideas and technologies (Chesbrough, 2007). Through their membership in BGI, startups precisely benefit from

such external inputs, reducing slightly the time it takes to launch the product to the market. We can reasonably suppose a period of four years from inception to full unfolding of the initial job creation. According to BGI, it takes one to two years to get to know what the correct strategy is, followed by another six to twelve months to receive funding. Hiring might accelerate after funding is received in the second year. The product is typically ready to go to the market by the third or fourth year, which represents a growth phase beyond what we are examining with this study. Once the product launch is successful, the venture enters a new stage of its development beyond BGI. The four-year window used in our study best captures the ventures' performance as a result of joining the accelerator program.

Regarding the measure of jobs created, it should be noted that literature distinguishes between direct and indirect effects of startup activity. This distinction is not rooted in the timing of the impact. Rather, the direct effects in that sense would be the jobs created directly by the startups, while the indirect effects would be jobs created by other firms that indirectly benefitted from the startups studied. For instance, Baptista et al. (2008) looked at the regional job-market effects of active venture creations in regions characterized by such high start-up activity. The authors distinguished between direct and indirect effects, finding that the indirect effects are stronger than the direct effects, with the indirect effects showing their impact with a time lag. This time lag might be rooted in what was observed in Fritsch and Mueller (2004). Our paper only examines the direct effect, i.e. the jobs directly created.

4.4.3 Qualitative Data

Qualitative research was employed to understand the core value-added that a transnational accelerator provides to the participating startups, with particular attention

devoted to the transnational aspect of the accelerator program and the benefits derived from it.

The qualitative data is grounded on Gonçalo Amorim from BGI and José Paulo Esperança from ISCTE-IUL and their active involvement in developing and managing the initiative since its inception. The qualitative data collection and analysis is methodologically based on the principles of participatory action research practices (Herr & Anderson, 2005; Miller & Tsang, 2010; Ozanne & Saatcioglu, 2008; Reason & Bradbury, 2001; Vermeulen, 2005). Participatory action research is widely accepted as a robust methodology, especially in the context of complex issues that require knowledge and expertise that other methodological approaches may not adequately capture (Ozanne & Saatcioglu, 2008).

4.5 Results

4.5.1 Measures of Startup Performance and Accelerator Expenses

The performance measurements have been documented in the first two sections of Table 1 below. The startups of the first three editions created a total of 250 FTEs within their first four years of activity within BGI respectively, while an average of 83 FTEs were created by each edition. The first edition startups created 104 FTEs, while editions two and three created 65 and 81 FTEs respectively. Section 2 of the table shows the dilutive and non-dilutive investments raised by the startup cohort in each edition, as well as the total of both dilutive and non-dilutive funding.

In terms the operating expenses needed to keep BGI going, Section 3 shows that a total of EUR 1,359,000 was spent, breaking down to EUR 485,000, EUR 492,000, and EUR 382,000 in each edition respectively. On average, the operating expenses amounted to EUR 453,000 per edition. Furthermore, Table 1 reports the funds raised by BGI startups from investors.

	Edition 1	Edition 2	Edition 3	Sum Eds. 1 to 3	Avg. Eds. 1 to 3
Section 1) Performance Measure: Jobs created					
Number of Full-Time Equivalents (FTEs)	104	65	81	250	83
Section 2) Performance Measure: Funding Received by Startups from Investors					
Dilutive Investments	8.740.000 €	3.327.000 €	29.926.000 €	41.993.000 €	13.997.667 €
Non-Dilutive Investments	3.774.000 €	2.650.000 €	3.390.000 €	9.814.000 €	3.271.333 €
Total Funding (Dilutive and Non-Dilutive)	12.514.000 €	5.977.000 €	33.316.000 €	51.807.000 €	17.269.000 €
Section 3) BGI Operations					
Operating Expenses of BGI	485.000 €	492.000 €	382.000 €	1.359.000 €	453.000 €
Section 4) Metrics					
Operating Expenses / FTE Created	4.663 €	7.569 €	4.716 €	-	5.436 €
Total Funding / FTE Created	120.327 €	91.954 €	411.309 €	-	207.228 €
Accelerator Efficiency: Funding / Operating Expenses	25,8	12,1	87,2	-	38,1

Table 1: Metrics on BGI

Source: author's compilation

This job creation occurred while the startups were part of the accelerator, with the jobs owing their existence in a large part to the benefits offered by the accelerator. The extent of job creation is to be put into the context of the resources that made them possible. Primarily, we can put the number of jobs created into the context of the operating expenses that were incurred by the accelerator. As shown in Section 4 of the table above, a broken down average of EUR 5,436 of operating costs was associated with each full-time equivalent job created by the startups accelerated by BGI. Considering each edition individually, we reach metrics of EUR 4,663, EUR 7,569, and EUR 4,716 respectively as the BGI operating expense in relation to each FTE created by a BGI

startup of those editions. The overall ratio between funding and operating expenses was around 38, implying that the funds raised by the startups were 38 times greater than the resources invested in the BGI edition that brought about those companies raising these amounts from investors.

4.5.2 The Core Value-added of Transnational Acceleration

The transnational elements identified through the participatory action research approach are the following: (1) official dual location in two countries, (2) a significant network, (3) international capital and meticulous preparation before approaching international potential investors.

(1) The program is based jointly in Lisbon and Massachusetts. The dual location does not merely exist on paper but is put into practice. The BGI acceleration process includes three intensive training periods, two of which are hosted by ISCTE-IUL in Lisbon, with the third intensive training period hosted at the Massachusetts Institute of Technology. The dual location nature of BGI offers significant reputation benefits to the hosted startups. The benefits of the dual location are more than merely symbolic. Tangible benefits include for instance that a venture from Portugal can continue to run its operations out of Portugal and be able to make an easier market entry in the United States thanks to the association with a U.S.-based institution. The benefits from the dual seat of the accelerator are particularly pronounced in the case of BGI as the two locations are substantially different: Two different continents are covered. On the one side an economy in Portugal that was struggling at the time of the study whereas on the other side the vibrant local economy of the Boston area. On one side the United States that ranked second only to Luxembourg in terms of average salary among OECD

countries versus Portugal that ranked near the bottom (OECD, 2016). One country is part of the Anglo-Saxon culture, while the other is a Latin country. Culture matters in the success of international business (Hofstede, 1994). And again taking up a point discussed in the literature review, Portugal scores below the European average in terms of technology innovation (Pinto, 2009). In contrast, the Boston area is a hub of technology innovation. The importance of complementary in business has been explored extensively by literature in different contexts (Harrison et al., 2001; Gyrd-Jones, 2013) and significant benefit is derived by participating startups from the differences in the two geographies covered and the complementary in the geographic combination offered by this powerful example of transnational acceleration (powerful precisely because of the structural differences between the two regions). The benefits from the official dual location of the accelerator can be compared remotely to those that students may derive from an international dual degree program, under which they study at and receive official degrees from two universities (Asgary and Robbert, 2010).

(2) At the time of the writing of the paper, BGI had at its disposal a vast network of over 12,000 contacts that were meticulously developed. The network stood out through its highly international reach and the diversity of backgrounds, ranging from scientists to legal and financial experts, marketing professionals, and other entrepreneurs. The typically technology-versed professionals provide guidance to steer the development of innovation into building a viable business model, which is a challenging process as outlined by Pisano and Teece (2007). The board and advisory board of BGI encompasses significant international experts, having secured the active participation of key contacts at the MIT, the Martin Trust Center for MIT Entrepreneurship, the MIT Sloan School of Management, the University Technology Enterprise Network in Portugal, as well as well-connected representatives of the Portuguese diaspora. Compared to other nation's diasporas, the reach of the Portuguese diaspora is quite extensive (Sarkissian, 2002). Research has recognized the importance for entrepreneurs

to develop their networks (Smith & Lohrke, 2008). In the case of BGI, these extensive networks have been helpful in facilitating the entry into new markets, in addition to providing advice and mentoring to the startups. The mere number of contacts that an entrepreneur has, however, is not indicative of the benefit that may be derived from the network. Rather, it is the network structure and particularly structural holes (Burt, 2017) that are the roots of the benefits that networks may provide to entrepreneurs. A person surrounded by a network with structural holes is connected to various clusters of contacts that have no direct link to each other. Therefore, the person can act as a power broker and derive value from agent that bring together contacts that have not previously known each other. BGI itself is such a power broker, but through the networks that the entrepreneurs develop through the international contacts of BGI and eventually nurture it as their own network, the entrepreneurs can gain a competitive advantage for the benefit of their venture.

(3) Transnational acceleration is helpful in accessing international capital. BGI can help its startups with the contact initiation to international business angels and early stage venture capitalists, with the strong focus on the entrepreneurial finance in the United States, potentially opening up doors that may typically be difficult to reach for many Portuguese startups. Substantially more important than the contact initiation are the rigorous processes of business idea clarification and validation that BGI companies go through before they even approach potential international investors. Starting in their first week at BGI, startups work closely with mentors to refine their value propositions. Within one year, the startups participate in ten structured and non-structured intensive meetings during which each startup designs and subsequently implements a go-to-market plan with a horizon of 18 to 24 months, with a substantial international focus and involvement. A core of over 200 experts is available to be intensively involved in the process of idea clarification and validation. Right from the beginning of a startup's tenure in BGI, the startups are being prepared for a successful exit strategy from BGI,

which is an important success factor in international entrepreneurial finance . Startups naturally stay in acceleration only for a limited period of time, and investors want the startups to survive on their own once they have exited from the accelerator. Exit strategies are a complex matter (DeTienne, McKelvie, and Chandler, 2015), and should be developed developed strategically. In addition to hands-on support in preparing startups for approaching international investors, the transnational nature of the accelerator offers benefits of validation. It would be challenging for Portuguese entrepreneurs to approach international investors. For one part, international investors may not be familiar with the Portuguese startup scene, presenting the entrepreneurs with credibility issues. Any potential international investor would also be worried about how to conduct due diligence on the investment in the Portuguese startup. The fact that a startup made it past the rigorous selection procedures of BGI, which bring anchored in the U.S. might represent a credible form of validation of the startup in question, making any potential investors in the U.S. more at ease with the startup. Finance literature has long recognized a “home bias” among investors (Coval and Moskowitz, 1999). Transnational acceleration through BGI can effectively bring Portuguese startups closer to the “home” of U.S. investors. Capable of providing the significant investments typically needed in the technology sector. Florida and Kenney (1988b) has emphasized the importance of venture capital particularly to technology entrepreneurship. The development of innovation is capital-intensive and includes specific human capital needs (Marvel & Lumpkin, 2007) to create an innovation, and processes to overcoming challenges in capturing the value of the innovation (Pisano & Teece, 2007).

4.6 Discussion

4.6.1 Further Evidence for the Relevance of the Transnational Model

A recently published report on the top-performing Portuguese entrepreneurial ventures (BGI & EIT Digital, 2017) allows us to draw conclusions on the appeal of a transnational business model. BGI and EIT Digital (2017) provide a recent snapshot of the Portuguese startup landscape. The report made a selection of the top 25 startups from a larger pool of 386 technology ventures with Portuguese origin. The selection of the top 25 technology ventures was made based on each venture's total funding, total revenues generated, and capital turnover ratio.

Table 2 below shows the top 25 Portuguese ventures as identified in the report. The table has been re-arranged for a clearer distinction between top performing ventures with headquarters in Portugal and Portuguese ventures with headquarters in different countries.

Headquartered in Portugal		Headquartered outside of Portugal	
Company	Headquarters	Company	Headquarters
360Imprimir	Portugal	ASAP54.com	United Kingdom
Aptode	Portugal	Codacy	United Kingdom
B-Parts	Portugal	Talk Desk	United States
Bitmaker	Portugal	TTR	Spain
code for all	Portugal	Uniplaces	United Kingdom
Coimbra Genomics	Portugal	VeniamWorks	United States
Eneida	Portugal		
GuestU	Portugal		
iM3DICAL	Portugal		
Landing jobs	Portugal		
Muzzley	Portugal		
Mygon	Portugal		
Perceiv3D	Portugal		
Petapilot	Portugal		
Petsys Electronics	Portugal		
Unbabel	Portugal		
Wizdee	Portugal		
Xhockware	Portugal		
Zaask	Portugal		
Count: 19 ventures with headquarters in Portugal		Count: 6 ventures with headquarters outside of Portugal	

Table 2: Top 25 Portuguese Startups

Source: author's compilation based on rearrangement of table provided in BGI & EIT Digital (2017)

It is noteworthy that six of the twenty-five top Portuguese entrepreneurial ventures, i.e. 24 percent of the top 25, have their headquarters located outside of Portugal. The report further pointed out that 75 percent of the top 25 ventures' funding comes from abroad. The aggregate of the top 25 ventures have a physical presence in 14 countries in addition to Portugal, covering all continents, except Africa.

These figures provide wider evidence for the attractiveness of the transnational model for Portuguese startups to be successful. While a transnational operating structure could possibly be attained without transnational acceleration programs, it is, however, these programs that can give a formal support mechanism for the development of an effective transnational business structure. These tangible elements of core value-added of the transnational acceleration model have already been identified in the foregoing results section (section 4.5.2).

4.6.2 Placing the Research

Our study presented results that are interesting for both academic researchers and practitioners in different ways. Practitioners can use the study as a benchmark against which they can measure the performance of other accelerators. To our knowledge there has been no prior studies using a similar dataset to assess the operational expenses and the value-added of transnational acceleration. Correspondingly, our research is in line with what Frank and Landström (2016) elaborated in their reflections on what makes entrepreneurship research interesting: in their study both senior and junior researchers held that research in entrepreneurship for it to be considered interesting must be a novelty and meet relevancy criteria, such as relevancy for practitioners and policy makers.

Baum et al. (2000) found that startups *should not go it alone*, instead offering evidence that opting to form alliances might be beneficial for firm success. Their study speaks of forming alliances and configuring them into an efficient network that “provides access to diverse information and capabilities with minimum costs of redundancy, conflict, and complexity” (Baum et al., 2000, p. 267). Accelerators with the format of BGI can be

considered as a structured way of reaping some of the key benefits bestowed by those networks.

Zooming in on tech entrepreneurship, Venkataraman (2004) examined how technological entrepreneurship can transform regions, pointing out that it must be accompanied by seven intangibles besides finance to ensure that a positive regional transformation is effective: Those include: novel ideas, role models, informal forums, region-specific opportunities, safety nets, access to large markets, and executive leadership. All of those intangibles become more easily attainable through acceleration, with the access to remote markets a particularly strong element in transnational acceleration. Audretsch and Keilbach (2008) found that investments in knowledge do not guarantee necessarily a positive economic impact, suggesting that entrepreneurship functions as a “conduit of knowledge spillovers”. As an integral part of the regional entrepreneurial ecosystem, accelerators may act as the driver that turns knowledge investments into regional job creation. Accelerators can promote the entrepreneurial renewal of disadvantaged regions. According to Arbuthnott and von Friedrichs (2013), this can be achieved by “advancing local networks, improving internationalization and enhancing local infrastructures,” all of which is performed by transnational accelerators of the format of BGI, resulting in measurable job creation.

Cost-benefit analyses are conducted on projects in various fields principally to assess whether the effort was a worthwhile undertaking (Prest & Turvey, 1965). Stakeholders operating accelerator programs have a vested interest in conducting such analysis, which applies irrespective of whether the entity is private or public. Public entities in locations marked by poor conditions for innovation-driven entrepreneurship have therefore an incentive to explore the possibility to teaming up with private actors to launch transnational acceleration. Rational calculation is one of the preconditions for smart

policy (Christensen, 2006). Our paper provides inputs for such a rational calculation, potentially making a small contribution towards smarter policy.

4.6.3 Limitations of Research and Inspiration for Future Research

The study captured only the direct performance of the transnational accelerator BGI through applying performance measures on the aggregate performance of startups participating in the accelerator program. Other companies outside of BGI that may have been in a business relationship with the startups at BGI could have benefitted indirectly from the transnational accelerator program. The study did not capture these effects.

Public bodies interested in the study's findings might also be interested in the positive externalities of a transnational accelerator on the local entrepreneurial ecosystem. The success of a transnational accelerator program could bring international prestige to a disadvantaged region, effectively altering the perception of the region in terms of its conditions for innovative entrepreneurship. The emerging innovation-driven startups based at the transnational accelerator might further act as a catalyst for the establishment of an innovation-focused entrepreneurial ecosystem. Hochberg (2016) and Fehder and Hochberg (2015) refers to this positive externality that accelerator programs may have. Our study did not intend to capture this effect.

Future research might attempt to capture the wider, positive externalities of transnational acceleration. Inspiration regarding methodology might come from Snickars et al. (2015), which studied the economic and social impacts of research at KHT Royal Institute of Technology in Sweden, and from Mark, Jensen, and Norn (2014), which studied the effect of research collaborations undertaken by the University

of Copenhagen on companies' productivity growth. These impact studies are documenting the positive and significant impact that specific initiatives have on regions.

4.7 Conclusion

Geographic location still matters in a globalized world. Modern means of transportation allow people to travel fast and goods to be shipped economically anywhere in the world. But globalization does not automatically solve the problems inherent in structurally disadvantaged locations, such as regions ranking low in terms of having an ecosystem conducive to innovation-driven, technology-based entrepreneurship. After presenting the transnational acceleration model, in particular the purposefully selected case of BGI; this study has illuminated the extent of financial resources that a transnational accelerator consumes in terms of its operating expenses in the context of the overall performance of the transnational accelerator program. It has also explored the core value-added that a transnational accelerator provides to the startups it hosts. Participatory action research techniques applied to the case of BGI have discovered that the core value-added consisted of (1) the official dual location in two countries, (2) a significant network, and (3) the access to international capital and the meticulous preparation received before approaching international potential investors.

Chapter 5: Overall Conclusion

This thesis united three essays under the umbrella of geographic considerations in entrepreneurship, particularly related to questions surrounding the entrepreneurial ecosystem. In this overall conclusion, we will summarize in section 5.1 the academic significance of each essay, point to the limitations of each, and outline suggestions for future research that can direct researchers to interesting questions building on the contributions of this thesis. Finally, section 5.2 draws overall conclusions of how the chapters' insights may be useful as a benchmark for public entities or involved private stakeholders aiming to build strategic initiatives for improving their regional entrepreneurial ecosystems.

5.1 Main Chapter Significance, Limitations, and Research Inspirations

The first and second essays addressed the phenomenon of crowdfunding. Although existing literature has explored that topic extensively, this thesis makes some original contributions to the field.

The first essay developed a comprehensive model on the role of geography in crowdfunding. It attempted to bring conceptual clarity to the role of geographical aspects in the crowdfunding community's choices regarding projects. The model shows that the extent to which location in crowdfunding depends on the strength of place attachment. Regions marked by local populations with high place attachment provide the conditions for locally driven crowdfunding. At the same time, the model also shows that irrespective of how locally rooted the world has once again become, persons have special-interests, frequently in the form of hobbies but also increasingly as lifestyles,

which transcend the local and make people part of a global community of enthusiasts who might tend to support relevant crowdfunding project irrespective of geography.

The paper made a contribution to academic knowledge with this unique model that is developed out of extensive literature on today's globalized world in which preferences for the local and regional have re-emerged. The model was made robust with the addition of a branch that accommodates for some prominent examples of successful crowdfunding campaigns raising funds irrespective of geography. The essay is relevant for academic researchers, who could test the theoretically developed comprehensive model in empirical studies, most interestingly through qualitative studies to gain insights into project supporters' motivations and interests, as well as their connection to their local and regional community and the extent to which it functions as a motivating factor in their crowdfunding choices. Beyond academia, the model is relevant for local and regional policy-makers trying to find ways to stimulate the local or regional entrepreneurial ecosystem, a thought that will be discussed in more depth in section 5.2. As a conceptual model rooted in theory, the model is a schematic representation the real world, and therefore has some inherent limitations. Crowdfunders' decision-making processes – as all human decision-making – are complex processes that may not be entirely captured with the model. Therefore, additional qualitative research might be fruitful to refine the model further, possibly as research cooperation between crowdfunding researchers and psychologists.

The second essay addressed crowdfunding in the context of the increasingly relevant role of sub-Saharan Africa that was argued for in the preliminary note to the essay. The chapter explored the status of crowdfunding in sub-Saharan Africa in terms of its opportunities and challenges. Opportunities of crowdfunding stem from the conceptual link between microfinance and crowdfunding, with the latter a more recent phenomenon capable of complementing microfinance as a more established form of entrepreneurial

funding in Africa. Additionally, crowdfunding has been found to be particularly promising in Africa because of its conceptual antecedents in various African cultures. Despite these promising characteristics, crowdfunding in the African context has yet to overcome challenges, in particular network externalities and regulatory issues. The chapter was written in 2016 and published in early 2017 as a book chapter (Wolf, 2017) in an edited volume by Emerald Publishing in the United Kingdom. A more recent review of literature shows that other work on crowdfunding in Africa has been produced very recently by other scholars, too (Berndt, 2016; Munyanyi & Mapfumo, 2016; Nguessan et al., 2017; Orgeret, 2016). Their works on the same topic may take a different angle, but the publications of their work all validate the relevance of the theme addressed in our essay. Our work is unique in its connection of African cultural traditions with crowdfunding in the wider context of the challenges faced by crowdfunding in Africa. However, a limitation of the work is that it looks at only a few specific examples of traditions, such as Kenyan culture with *harambee*. The cultural diversity across sub-Saharan Africa comes in many different forms, and even within African countries there is typically not a uniform national culture but rather a diverse set of distinctive local cultures. The essay attempted to work on the basis of some cultural characteristics that are shared across sub-Saharan Africa, such as a rather collectivist attitude in society. Future research on cultural aspects of crowdfunding in Africa could come in the form of collaboration between experts on crowdfunding and entrepreneurship on one side, and experts on African culture on the other side to develop a more differentiated work in the future. The essay can be a starting point for other forms of future research as well. The large pool of crowdfunding platforms may be subject to some consolidation in the coming years, and quite possibly some stronger platforms could emerge, which coupled with technological advances could alter the landscape of crowdfunding in Africa. The question then will be whether those platforms coming out of the consolidation processes as stronger players will continue to carry that distinctive cultural flavor that could differentiate African crowdfunding from

crowdfunding elsewhere. Future research may explore whether this distinctively African, more established form of crowdfunding has implications on the wider entrepreneurial ecosystem.

As a final observation and encouragement for the academic community: research in Africa can be particularly rewarding and insightful. The preliminary note on the sub-Saharan Africa in section 3.0 of this thesis presented the importance of the continent in three dimensions: its economic and socioeconomic emergence as a global player, its geopolitical relevance particularly in the context of south-south cooperation, and the significance of research dedicated to sub-Saharan Africa in the business and entrepreneurship disciplines.

The third essay looked at entrepreneurial acceleration, particularly at a specific case of transnational acceleration. The study of the BGI accelerator based jointly in Lisbon and Massachusetts presented results that can be used as a benchmark for assessing the operational expenses of transnational accelerator programs in light of their performance, along with the elements of core value-added of transnational acceleration, which were identified as the following: (1) official dual location in two countries, (2) a significant network to international social capital that is instrumental to venture success, and (3) international financial capital and meticulous preparation before approaching international investors. The academic significance of this contribution stems from the lack of studies on that aspect of acceleration. One limitation of this study is that only one case was studied, although the choice was purposefully made, as BGI can be considered good practice, and the unique situation of Portugal as a country scoring below the European average in terms of technology entrepreneurship at the time (Pinto, 2009) made it an ideal location to benefit from transnational acceleration. Transnational acceleration's relevance with respect to the entrepreneurial ecosystem is noteworthy in that it contributes to the characteristics of healthy, well-functioning entrepreneurial

ecosystems that had been discussed in the overall introduction to the thesis, namely that entrepreneurial ecosystems function best if their various elements are closely intertwined and interacting. Future research is in order to illuminate transnational acceleration further. One avenue for future research is to study more than just one transnational acceleration case. There are two different dimensions to this expansion of focus. On the one hand, the larger sample could add other cases of transnational acceleration models, allowing for a comparison among comparable accelerators, i.e. accelerators that all have a transnational component. On the other hand, research could juxtapose transnational acceleration model with those that do not have any notable transnational elements. This second approach would allow a quantification of the value and benefits that transnational acceleration adds over acceleration without transnational elements. While most research on acceleration has been focused on North American and European settings, future research could also explore entrepreneurial acceleration models in developing and emerging markets. The World Bank Group has recently launched XL Africa, which is a five-month business acceleration program for digital startups from sub-Saharan Africa. Twenty startups were expected to join the program at the time of the thesis (World Bank Group, 2017).

5.2 Lessons for Strategic Initiatives for Regional Entrepreneurial Ecosystems

The need for the promotion of entrepreneurial activity, and the tools to do so, have been discussed extensively in relevant literature (Audretsch et al., 2007). Through specific interventions, entrepreneurship can be promoted (Stam, 2014). Interventions include strategic initiatives by local and regional entities to develop the entrepreneurial ecosystem that will ultimately affect the performance of ventures. According to Stam

(2015), the focus of regional entrepreneurship policies is shifting from the quantity of entrepreneurship to increasing the quality of entrepreneurship.

The work developed in Chapter 2 is a theoretical model which regional entities can use to understand how the conditions can be improved for locally sourced crowdfunding. The model allows to infer initiatives that can be implemented by regional authorities: regional leadership can encourage local media and local community organizations to devote attention to crowdfunding and effectively help promote the crowdfunding campaigns of local entrepreneurs. That represents a tactical step, and joint collaboration between local government and community organizations is not a novel concept (Gazley, 2010; Ross & Osborne, 1999). However, the model also shows that place attachment and the strength of local identity have a moderating effect on whether a person has revived interest in the local. Therefore the model points to the conclusion that regional authorities should engage in measures to develop place attachment and identity. These initiatives can be presumed to be only strategic and have a long-term focus, as place attachment and identity could evolve only over longer time horizons. Place branding, for instance, can lead to the evolution of a stronger place identity (De San Eugenio-Vela & Barniol-Carcasona, 2015). As pointed out by Paasi (2013), regional identity can play a role in regional planning. A holistic strategy employed by public entities, aiming at both (1) coordinating local stakeholders for local awareness of crowdfunding campaigns launched local entrepreneurs, and (2) long-term strategic initiatives to develop place identity. These initiatives jointly can create the conditions for a flourishing crowdfunding ecosystem as part of the wider local ecosystem. This alignment can provide local entrepreneurs not only with financial capital but also with a sense of local co-creation that will enhance the quality of the business.

The findings from Chapter 3 provide insights to develop our suggestions further: the study found a cultural compatibility between crowdfunding and traditions inherent in

Africa. The one key learning from this observation for regional leaders, even beyond Africa, can be that local traditions should be studied to explore connecting points with the modern concept of crowdfunding. In the European context, the cooperative model is just one example of a long-standing tradition rooted in many local communities that might present connecting points to crowdfunding. Cooperatives have long been entrenched in local communities (Majee & Hoyt, 2011). The cooperative model dates back to at least 1498 with the establishment of the Shore Porters Society in Aberdeen (Mazzarol, Limnios & Reboud, 2011), and the cooperative movement as a wider societal phenomenon emerged in the nineteenth century. Cooperatives have become a cornerstone of today's European communities at the local and regional level, ranging from countless agricultural cooperatives to cooperative banks and consumer cooperatives. The prevalence of cooperatives in European society is illustrated with statistics from France (Coop FR, 2014): a total of 23,000 cooperatives and 24 million members in 2012. Regional leaders can explore strategies to connect crowdfunding with these established traditions.

Furthermore, the opportunities and challenges of crowdfunding in Africa identified in Chapter 3 are also particularly useful for regional policy-makers in Africa, as many African countries have been emerging economically (see section 3.0 of this thesis). Crowdfunding has become an integral part of the African entrepreneurial ecosystem. The research identified network externalities and regulatory issues surrounding crowdfunding as key challenges for crowdfunding in the African context. The rise of mobile payment systems as well as the crowdfunding sector's self-organization are wide-ranging trends that any large-scale regulatory initiatives will need to take into account.

Aligned with public authorities' shift from quantity to the quality of entrepreneurship (Stam, 2015), transnational acceleration can be a particularly interesting model for

regional entities contemplating strategic initiatives to improve the regional entrepreneurial ecosystem. The selectivity of accelerator programs implies that only few ventures will directly benefit from a transnational accelerator, an incidence of quality over quantity. However, the operational expenses of a transnational accelerator program as illustrated in Chapter 4 imply that regional entities considering the establishing of an accelerator will have to engage in a careful analysis of the benefits that would actually be derived. In particular, the paper suggests that decision-makers at regional entities would have to contemplate the strengths and weaknesses of their region in light of the tangible benefits offered by the transnational accelerator, especially the extent to which the characteristics of the remote markets aimed at would complement the strengths and weaknesses of the home region. A SWOT analysis of the regional characteristics (Cordes et al., 2014) would be instrumental to that aim.

Feldman (2014) spoke of initial events or entrepreneurial sparks that gave rise to prosperous regions. And while these starters are important, Feldman emphasized that there was no automatism for regional entrepreneurial prosperity. Instead, it is the development of institutions and private and public decisions that ultimately determine the character of a place, or the character of a regional entrepreneurial ecosystem as we have understood it in this thesis. Feldman concluded her article with the summarizing statement that “entrepreneurial attachments and investment, government capacity building, and local communities of common interest define the character of place” (p.18). Our three essays and ultimately the findings regarding the lessons for strategic initiatives for regional entrepreneurial ecosystems are indeed aligned with the spirit of Feldman’s reflections.

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