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THE PROBLEM OF ALTERNATIVE FINANCING SOURCE MANAGEMENT – THE EQUITY CROWDFUNDING CASE

Anna Motylska - Kuźma[1]

Abstract

The main objective of this paper is to analyze one of the alternative sources of financing - equity crowdfunding - from the point of view of managerial processes. Based on the case study analysis and the comparative analysis the problems and challenges of raising funds using equity crowdfunding are discussed, comparing the findings with the issuing of shares. The analysis show that although many of the activities undertaken in raising funds through issuing shares and equity crowdfunding are similar, the managerial processes in the case of equity crowdfunding require from the company first of all building and caring about relationships with investors, rather than showing and proving effectiveness. In exchange for the low legal requirements, the equity crowdfunding investors expect good communication even if the promises are not fulfilled.

JEL classification: G24, G30, G32
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[1] WSB University in Wroclaw, e-mail: anna.motylska-kuzma@wsb.wroclaw.pl; ORCID: 0000-0002-6363-1649.

Introduction

Running a business is an ongoing decision process in which financial resources play a major role. They are the factors conditioning development, investment or added value. Therefore, capital is consider done of the most necessary resources of the enterprise (Florin et al., 2003). To finance activities and investment projects, especially in their initial phase, entrepreneurs usually engage their own savings or funds borrowed/entrusted to them by family members or friends. If such possibilities are spent, the owners –the business initiators - turn to financial institutions, such as banks or loan funds. Each of these sources, however, is limited and associated with quite a high cost (Khavul, 2010; Khavul et al., 2013). This cost is directly proportional to the level of risk that the potential idea is burdened with. Therefore, the right choice of the source of financing can significantly contribute to the success of the company or lead to its failure.

After2007, it became clear to many theoreticians and business practitioners that the financial system has enormous drawbacks resulting from excessive liberalization of regulations and, consequently, insufficient protection of individual, minority investors and depositors. Therefore, large-scale activities were initiated aimed at limiting the risk and protecting the average citizen against mismanagement and fraud on the part of financial institutions. This translated into increased caution when granting loans, and thus to the availability and amount of funds obtainable by enterprises. As a result of these activities, financing was dependent not only on the characteristics of the enterprise itself (such as size, organizational and legal form, development phase, financial condition, etc.), on the type of business or the subject of potential financing (e.g. sector, industry, market, product or idea), but also from external factors (e.g. the condition of a given economy, monetary policy in a given country, economic risk, etc.). The multitude of these factors means that in each group of entrepreneurs there are smaller or larger problems with access to capital, and with them - new solutions, trying to „patch" existing gaps.

Alternative sources of financing are the mechanisms and methods for the distribution of financial instruments or products beyond the so-called traditional channels such as banks, insurance agencies, regulated financial intermediaries or brokerage houses and offices (Waszkiewicz, 2016). All of these new approaches to financing, as noted by Bruton (Bruton et al., 2015), have several characteristic, common features. First, they appear in one part of the world and are quickly adopted and spread throughout the globe, e.g. *microloans*. Secondly, new finance solutions commonly use IT technologies and on-line platforms to aggregate a large number of small transactions, such as *crowdfunding*. Finally, new finance solutions use social networks, both entrepreneurs and investors, to improve the efficiency and effectiveness of collecting, transferring and using financial resources (Breedon, 2012). Therefore, the alternative finance market should be treated as a different segment of the financial market, which through Internet connections provides its clients with access to identical financial products or services, which are offered by traditional financial institutions, but usually bypassing their structures (Daniecki, 2017).

We know the alternative sources of financing differ from the traditional models, but the question is: Is their engagement generating the new challenges and problems for the managers in their day-to-day activity and how do these sources change the attitude to processes of financing?

The main goal of this article is to analyze one of the alternative sources of financing – equity crowdfunding from the point of view of managerial processes.

The paper is divided in three parts. The first part describes crowdfunding as a financing source with the special interest in equity crowdfunding. It defines this mechanism of financing and shows the problems and achievements on the Polish market. The second part is the case study of IniJOB, one of the successful campaigns. It shows the real problems with managing the process. The third part introduces the definition of the management process and its stages. Based on the previous example and the literature review, it analyzes the challenges in every phase of project management connected equity crowdfunding in comparison with its traditional equivalent – issuing shares. The discussion is ended by the conclusions which summarize all findings.

Equity-based crowdfunding

Crowdfunding appeared as an alternative solution to the problem of access to capital among young enterprises in the initial phase of their activity, the so-called start-ups, and it was quickly adapted by entities characterized by above-average pace of development (Allison et al., 2014). It is connected with the financing process using online platforms through which a sufficiently large number of small investors can support the project by paying small amounts in a predetermined amount of time (usually a few weeks) (Khavul et al., 2013). Designers, however, use crowdfunding not only to finance their ideas, but also to check the demand and approval of the Internet community regarding proposed solutions (Kuppiswamy & Bayus, 2014). It is assumed that an investor who enjoys the project will also be interested in the products of such a designer, and therefore it is very likely that they will become one of the first clients (Burtch et al., 2013). Thus, building the right community interested and supporting the project provides the foundation for the future demand for offered products or services. This is one of the biggest advantages of crowdfunding compared to other sources of financing.

It is worth noting that the majority of investors supporting crowdfunding campaigns are not professionals and they are not too demanding, especially in the case of donation models. Therefore, they do not require special business plans or securities, or they do not verify in detail the creditworthiness and financial condition of a given originator. However, with increasing interest in crowdfunding, „pickup" or „selectivity" of investors also increases. This can be noticed, for example, in the NESTA research on the alternative finance market in the United Kingdom, according to which about 38% of respondents who take an active part in crowdfunding campaigns (in the equity model) identify themselves as a sophisticated investor or as HNWI (*high net-worth individual*) (Baeck & Collins, 2015).

Currently, online platforms offer four basic crowdfunding models: donation-based crowdfunding with variation without rewarding participants (*non-reward-based*) and with rewarding participants (*reward-based*), debt-based crowdfunding, equity-based crowdfunding and the mixed (Motylska-Kuźma, 2018, 2018a; De Buysere et al., 2012; Lambert & Scheinbacher, 2010; Cholakova & Clarysse, 2014; Dziuba, 2012).

Equity-based crowdfunding is called share-based social funding or crowdinvesting. In exchange for financial support, investors receive shares in the enterprise. Unlike other crowdfunding models, crowdinvesting does not allow one to accumulate an amount higher than the one declared at the beginning of the campaign (Czubak, 2014). This type of financing is very limited by law and, for example, in Poland, due to the fact that the smallest share in the limited company may not be less than PLN 50, the amount requested must be a multiple of this value. Until now, this form of crowdfunding has been used by IT companies, e-commerce (online stores, digital bookshops, group shopping services, etc.), B2B companies whose products are not intended for the consumer market, R&D companies and other companies which have the rights to operate their shares. An example of platforms that implement share projects are StartupValley.com or Crowdcube.pl and in Poland, the most popular is beesfund.pl.

Equity-based crowdfunding is the most sophisticated form of raising social capital. In many countries it still remains legally unregulated. The EU has long been considering the establishment of harmonized crowdfunding legislation. The European Banking Authority ("EBA") as well as the European Securities and Markets Authority ("ESMA") proposed a series of measures to reduce risks connected with crowdfunding, including the possibility of introducing specific registration and regulation of operators of crowdfunding platforms. The European Commission is of the opinion that new regulations could slow down innovations in economies, so it is not interested in introducing such solutions. Few European countries have adopted crowdfunding regulations, in particular requirements for developers, crowdfunding platform operators, and investors.

In Poland, the regulations go in another direction (Motylska-Kuźma, 2017). It is supposed that, by its nature, equity crowdfunding is a typical offer to purchase "shares" in limited companies, targeted at an unrestricted recipient. The only problem is that the notion of „participation" does not fall within the definition of securities (in the light of the share of a joint-stock company that is a security). This means that the "shares" in limited companies are not subject to a public offering regime within the meaning of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading System and Public Companies („Act on Public Offering"). This frees the limited company from the necessity to complete a number of formalities related to the public issue of securities, in particular as regards preparation and availability of an information memorandum or prospectus. There exist a number of legal barriers to limited companies trading in shares, necessitating many other activities before a notary, such as adopting resolutions on capital increase or submitting notifications of shareholdings or, last but not least, regulating the internal organization of the company.

Partially this problem was resolved by the amendment of the Code of Commercial Companies, which entered into force on April 1, 2016. It allows limited companies created by means of a template, in accordance with the provisions of the Code of Commercial Companies, to perform actions connected with the amendment of the company's contract via a teleinformatic system. The new regulations, assessed from the perspective of equity crowdfunding, may have a positive influence on its development in Poland, and thus on the increase in the number of companies that benefit from this method of raising capital. An additional advantage of the amendment, which is the advantage for both sides - the limited company as well as the investor, is a reduction in the notary costs.

The Polish government also proposes introducing into the Code of Commercial Companies a new form of business activity – the simple joint-stock company (PSA), which is based on the French experience with Société par Actions Simplifiée – SAS and the Slovakia solution (Jednoduchá Spoločnosť na Akcie). Thanks to uncomplicated registration and low capital requirements, the proposed solutions should make it easier to raise funds for all those who base their idea on knowledge and have the skills to develop it but might have neither professional economic or legal knowledge nor high financial means. It is dedicated especially to start-ups and crowdfunding.

Despite legal restrictions, the number of companies which have decided to raise funds through equity crowdfunding is constantly increasing. Through July 2018, with the oldest Polish platform (beesfund.pl) the companies raised about 900.000 EUR, with crowdangels.pl – 450.000 EUR, with crowdway.pl – 550.000 EUR and with FindFunds.pl – 105.000 EUR (Motylska-Kuźma, 2018). Most of the successful campaigns reached the highest possible limit of the raised funds (100.000 EUR). After July 21st, 2018 the limit, which gives the possibility not to prepare a prospectus, has been increased, due to the EU regulations[2]. KNF decided to set this limit at 1mln EUR and we can observe the first campaigns finished with such big funds (e.g. Lovely.Inc, DoctorBrew or Etno Cafe SA). The last campaign, initiated by Wisła Kraków – one of the football clubs in Poland, raised 4mln PLN (about 1mln EUR) in just a few days, although the campaign was set for one month.

Ini-JOB - an example of using equity crowdfunding and its managerial process

IniJOB is the first platform for anonymous communication between employees and employer. It helps companies to increase the commitment and effectiveness of employees and to limit the staff turnover. The platform has two kind of users. Firstly, it gives the possibility to employees to complain and to suggest changes in the workplace, in a fully anonymous way. The second group concerns the employers. IniJOB offers them functionality in the area of communication with employees, employer branding and HR analysis. The business model is very innovative and unique on the international scale. The platform was created by Bartosz and Anna Michalek, who are the main owners of the firm (95% of shares). The platform operates on the Polish market.

At the end of 2016 the owners decided to turn to the American market. Such evolution needs significant expenditure. Thus, the IniJOB started to look for financing and they resolved to launch in 2017 a crowdfunding campaign and offered 5 000 shares (about 9% of all shares), 80 PLN (circa 20 EUR) per each. That gives the 400 000 PLN (100 000 EUR), which will be spent on developing the functionality and on preparing the English version of the platform, as well as the promotion on the American market mainly via the internet. In effect, these actions should enable them to start the operations in the USA. The campaign lasted 60 days and was successful.

There were a few reasons why IniJOB decided to raise funds through crowdfunding:

1) they couldn't think about debt because of they had been in operation for too short a and because of the low level of asset, which could be treated as a collateral,

2) for this same reason, they couldn't issue shares or commercial paper,

3) they did not want to cooperate with venture capital or business angels because of dilution of property.

Bartosz Michalek, the owner of IniJOB, had in his previous experience at another company, the IPO procedure and cooperation with venture capital. He knew the dilution of the shares in such cases are very high (more

[2] Art. 1 point 3 of the Regulation of the European Parliament and the EU Council 2017/1129 of June 14, 2017 regarding the prospectus to be published in connection with the public offering of securities or admission to trading on a regulated market and the repeal of Directive 2003/71 / EC

than 50% of shares go to new shareholder(s)) and the operational management is very difficult because of high level of formalization in the decision-making processes. Thus, he realized that crowdfunding was a real, good alternative way of raising the funds.

The preparation was a long process and took 10 months. Bartosz Michalek on his blog divides it into 7 steps (www.startuplife.pl). The first phase (10 months before launching the campaign) was to prepare the idea in such a form, which could be "sold" to the representatives of the crowdfunding platform and then – to the investors. It was very difficult to get ready for all questions and find such arguments which would sell the idea to the investors. The second phase (9 months before starting the campaign) was to present the idea to the representatives of the crowdfunding platform. In this case, it was the beesfund.pl. The biggest challenge was to convince the platform to cooperate. The demand for funding is very high and the crowdfunding platforms do not accept every project, mainly because of the low quality of the prepared idea and the possibility of losing the position of the platform in the case of unsuccessful campaigns. The next stage (5 months before starting the campaign) was to meet all formal requirements for launching the campaign. In the IniJOB case, it was the equity based crowdfunding model, so they needed to prepare all formal documentation: agreements, registration, etc. The chosen crowdfunding platform (beesfund.pl) did this for the company.

The fourth step was connected with preparing the materials for the campaign (5 months before starting the campaign till the date of start). The campaign's focus was on the website, which presented all information about the project, owners, perspectives, etc. The substantive level of information and the way of its presentation are the crucial determinants of success. The fewer the doubts the investor has after reading the information, the more possible it is that he or she will be interested in it. The whole cost of preparing the materials was borne by IniJOB. An important element of the information was the video. The project team decided to show in this material not only the idea itself, but also the profile of the creators. They believed the team and building the trust in the originators was a key factor to success. To make the video they needed an external co-operator. The other materials were prepared by the project team itself.

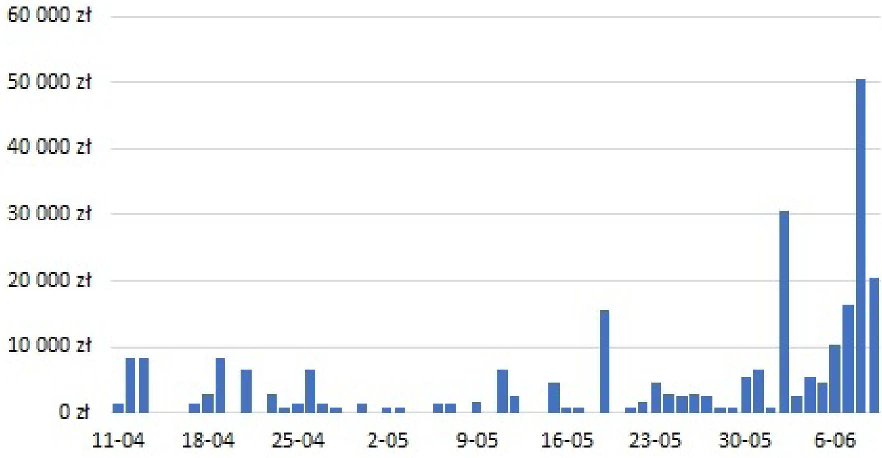
The fifth stage was to prepare the materials for the promotion of the campaign (5 months before starting the campaign till 2 weeks before starting the campaign). The beesfund.pl, as well as others, supports its clients in promotion via social platforms as Facebook or Twitter and via its network of investors. It is most desirable to take your own marketing actions, too. Thus, the IniJOB with the PR agency – Clear Communication Group, which is the shareholder of IniJOB, made the proper materials, graphics and content of media communication. Everything was done using the own resources of the company. On this stage, the company reported to the Financial Supervision Authority the intention to carry out crowdfunding actions. It is a legal requirement.

Stage six was the campaign. It lasted 60 days. There are three directions in which the company should be active here. The first is the promotional activities made by the crowdfunding platform, e.g. the originators and owners of IniJOB were invited to the investor's meetings as speakers. Secondly, they are the questions from the investors asked through the platform, e-mail, social media or phones. The answers have to be proficient and quick, leaving no doubts. The third direction is the own activities conducted by the company.To attract the investors, the project team prepared awards for attending the campaign. IniJOB decided to offer anti–stress balls, books and subscription packages, depending on the level of remittance. However, the most successful decision, in the IniJob case, was to start the cooperation with bloggers and influencers. They decided to do a promotion via Facebook, too, but this channel was not as effective as IniJOB expected.

After 60 days the campaign was closed. It was the last stage. IniJOB had to settle the costs with the crowdfunding platform, fulfil all legal requirements (e.g. register the new shares and new shareholders) and elaborate the professional communication method with the investors.

The beginning of the campaign was not very effective (see Fig.1). The owners of IniJOB had sent the e-mails to family contacts and friends. It was about 1 000 people and institutions. However, such activity had only a weak result. Few people answered and only one invested. The payments from family and small investments of small investors had dominated for the first six weeks, ¾ of the campaign period. A week before the end of the campaign IniJOB had collected only 135 000 PLN. At the end two influencers were arranged with the campaign, who promoted the project and ensured the success. Finally, 20% of funds was raised from the family, 9% from friends and 71% from other, external investors. This effect shows that the positive relationship with family and friends is one of the crucial elements of success in a crowdfunding

Figure 1: The level of cash inflow



Source: The material of the company

campaign. Bartosz Michalek summarizes the experience with the crowdfunding on his blog (www.startuplife.pl) as follow:

1) You have to raise a part of the funds before you start the campaign – optimally 30% of all funds,

2) You have to engage in the project personally both temporally and substantively, full time and be ready fight to the end,

3) You should find and interest someone whose opinion matters and use it in your campaign.

Managerial processes inequity crowdfunding

According to the definition given by the PWN dictionary[3], *management* is a set of actions aimed at achieving a specific goal related to the interest (need) of a given subject of management, implemented in the following sequence:

1) planning - selection of goals and ways to achieve them, and specification of relevant tasks and deadlines for their implementation,

2) organization - allocation and provision of resources necessary to implement the planned activities, in a manner that guarantees the effectiveness and efficiency of management,

3) leadership - management, motivating to cooperate during the implementation of tasks,

4) controlling - constant observation of progress and making corrective decisions.

It is widely recognized that the first classification of management functions was formulated by Henri Fayol, in the book from 1909, *L'exposee des principles generaux d'administration* (Fayol, 1930). He distinguished 5 basic functions, i.e. planning (closely related to prediction), organization (i.e. all administrative tasks), coordination (resources and activities), conduction (ordering, issuing commands, bringing to the plan) and controlling (implementation of the plan).With the development of management sciences, the list of functions has changed. The names of functions have changed along with the development of different approaches to the role of employees and managers in organizations and the relationships that occur between them. Nevertheless, these functions still include, in general, planning, organizing, leadership and controlling processes.

Analyzing the specific character of raising capital, especially in the case of equity crowdfunding and its corresponding traditional source of financing, i.e. issuing shares, it could be noticed that both of the sources require from the company the sophisticated type of management of project management. This results directly from the individual characteristics of these sources, which are given in Table 1.

Although the number of phases in the project is determined by the project team and type of project (Snyder, 2013), project management is solely based on the idea that a project goes through a number a phases characterized by a distinct set of activities or tasks that take the project from conception to conclusion. The

[3] https://encyklopedia.pwn.pl/haslo/zarzadzanie;4000464.html (2019-02-12).

Table 1: Comparative analysis of financing sources – equity crowdfunding vs. issuing shares from the point of view of the business owner

Factor	Issuing shares	Equity crowdfunding
Financial Discipline	No need to return the capital causes less motivation to increase results, hence the financial discipline is significantly lax	No need to return capital and at the same time a huge dispersion of new shareholders means that the company does not feel increased pressure to achieve results
	1[4]	2
Flexibility of the offer	The company, while preparing for the issue of shares, has the ability to set certain parameters that will be tailored to its needs, however, due to legal regulations and other organizational requirements, flexibility is very limited	The vast majority of financing parameters are set by the company itself, hence they can be perfectly tailored to its needs
	2	1
Tax benefits	The only elements included in the costs are the costs of emissions themselves, although in the case of Polish regulations and their interpretation by the courts and tax offices, these costs should not constitute a basis for tax reduction. The issued shares, due to their proprietary nature, may generate in the future only dividends or payments from profits which are not costs and thus do not reduce the tax base	The funds obtained are included in equity, hence there is no tax shield. The cost of preparing the campaign itself and the expenses associated with applying for funds can be included in the costs that reduce the tax base only if the company demonstrates their relationship with revenues
	1	1
Cost of capital	The average issue costs in Poland are 15-25%, and the average dividend yield is 2.94%	The average cost of conducting a crowdfunding campaign in Poland is 10-20%. Data on dividends paid are not known
	2	1
Agency costs	Raising capital from the issue of shares does not significantly change the level of agency costs, unless one of the investors has acquired a significant block of shares and therefore acquires real rights to influence current actions and decisions taken	Raising capital through equity crowdfunding does not result in the appearance or increase of agency costs on the enterprise side
	1	1
Limitations	The first limitation is the organizational and legal form of the enterprise. The second - a series of procedural requirements imposed by the Act on public trading in securities, the PFSA (KNF) and the stock exchange itself	The first limitation is the organizational and legal form (capital company required). The second limit is the upper limit of funds obtained (EUR 1 million)
	1	2
Liquidity risk	Because the funds obtained are equity and unrepayable, they do not affect the level of financial liquidity in the company	Because the funds obtained are equity and unrepayable, they do not affect the level of financial liquidity in the company
	1	1
The take-over risk	In the process of raising capital through the issue of shares, an enterprise cannot choose buyers of shares, hence the risk of hostile takeover is significant and increases at a later stage in the secondary trading	Because companies offer only a small percentage of shares for sale, the level of acquisition risk is rather limited. Due to the poor functioning of the secondary aftermarket, this risk remains at a similar level at a later stage
	2	1

[4] The ranking, where 1 means a more favorable source of financing for the business owner.

Organizational complexity of the procedure	The procedure for raising capital by issuing shares is very long and complicated	The procedure of raising capital through equity crowdfunding usually lasts several weeks and reduces formalities to the necessary minimum
	2	1
Law requirements	The level of complexity of the procedure from the legal point of view is moderate - the main problem here is the number of requirements	The level of legal complexity of the procedure is moderate - the main problem here is the lack of detailed guidelines for the qualification of certain activities
	1	1
Maturity	Not applicable	Not applicable
	1	1
Loss of control	In the case of an issue of shares, part of the power over the enterprise is transferred to the new shareholders. Research shows that the mere distribution of ownership does not have to lead to a reduction in the actual control over the enterprise, but the risk of its loss is much higher	The sale of shares by means of crowdfunding does not deprive the owners of control over the enterprise, and in many cases does not even lower it, because the huge dispersion of investors does not give them real power and the ability to influence decisions and actions of the enterprise
	2	1
Creditworthiness required	Because capital is not returned, creditworthiness is not required	Because capital is not returned, creditworthiness is not required
	1	1
Security required	No	No
	1	1
Increase/decrease in creditworthiness	Increasing equity capital has a positive effect on creditworthiness	Increasing equity capital has a positive effect on creditworthiness
	1	1
TOTAL:	20	17

Source: Motylska – Kuźma, 2019, p.102-103

typical phases in the project management are divided to:

1) project initiation,
2) project planning,
3) project execution,
4) project monitoring and controlling,
5) project closure.

PROJECT INITIATION AND PLANNING

The project initiation and planning starts from defining the purpose and structure of the project made by the project team. Defining the project's scope, purpose, objectives, deliverables, resources, timescales, and structure gives the team a clear view of the boundaries within which they must deliver the project outcomes to meet the customer's requirements. Setting a clear direction at the start is critical to its ultimate success (Krysiak, 2015).

The level of detail of the plans depends on the specificity of the planned activities and the importance of the plans (e.g. strategic, tactical or operational plans).

If the main goal of the project is raising the funds for financing the activity of the company, its initiation and planning phase is connected not only with the setting the objectives and the timescales, but also with the law requirements specific for the country in which the project takes place.

Issuing shares in Poland is regulated by the Act of 29 July 2005 on public offer and conditions for introducing financial instruments to organized trading system and on public companies[5]. The shares could be introduced to regulated market (GPW Main Market) or alternative market (NewConnect), which have different requirements. Introducing shares to Main Market needs from company:

1) changing the form of the company to a joint-

[5] Dz.U. 2005, nr 184, poz.1539 with later changes.

stock company,

2) selecting and consulting with the advisors,

3) selecting the partners/co-operators (e.g. PR agency, auditor, brokerage house, etc.),

4) preparing the concept of company's development (objectives of the issuing, strategic and financial plan),

5) taking formal decisions by the owners and management board on the issue, e.g. how the offer will be conducted,

6) preparing the prospectus – information memorandum, which should be approved by the Polish Financial Supervision Authority (KNF).

In the case of issuing shares to NewConnect, the company should have the proper form (joint-stock company) and the authorized advisor. However, it does not need to engage the other co-operators in the process, like PR agency, brokerage house, etc. The preparing of the prospectus is not always required, but even the simpler form (information document sign by the advisor) must have the approval of KNF.

Every one of those activities should be planned and organized before the issuing shares date.

The equity crowdfunding is mostly regulated by the same Act, but the difference is that it is not a public offer and the requirements are much more liberal. To set up a campaign the company should be a joint-stock company, but it is possible to be a limited company as well. Thus, theoretically every company with a legal basis could use equity crowdfunding for its financing. The next stage is selecting the online platform and fulfilling its internal requirements.Most commonly thereis some information presented in the media form (including the newest forms of communications), e.g.:

1) the business plan,

2) arguments for the potential investors,

3) the condensed information about the company and its plans,

4) the analysis of the sector or branch and the future prospects.

Although fulfilling the legal requirements is very important in raising the funds from the above sources, the quality of prepared information is the core factor which determines the success of the project. This quality is understood differently, dependently on the source. In the case of issuing shares, the quality will be connected with a fair and true valuation of the company and its elements, like assets, profits, cash flows, etc. In the equity crowdfunding much more important will be the way of presenting the information and the quality will flow from the communications. However, the preparation to the fund-raising process is very time-consuming in both cases.

PROJECT EXECUTION

The execution, in the case of raising the funds, is connected first of all with choosing the moment for the issue of the shares or the start the crowdfunding campaign. The right moment increases the chance of finding the company itself in a desired place on the public market or to quickly attracting the internet community. In issuing shares the right moment is inseparably connected with the current financial situation of the company as well as the future plan, but also with the situation prevailing on the market and the economic situation. In the case of crowdfunding, much more important is the season of the year. The special periods, like Christmas or other holidays, etc. are not conducive to attracting the interest of potential investors.

Besides the date, a desirable execution requires some special activities.

By issuing shares it is obligatory to draw up new share documents, listing shares and issuing documents. The share document should be in written form and contain the following data:

1) name and address of the company,

2) the registration court's name and the number under which the company is entered in the register,

3) the date of registering the company and issuing shares,

4) nominal value, series and number, type of share and special rights attached to shares,

5) the amount of payment made in the case of registered shares,

6) restrictions on the disposal of shares,

7) provisions of the statute regarding obligations related to the company.

It is required that the share document has a company stamp and a board signature that can be mechanically reproduced.

Although in the case of equity crowdfunding the legal requirements have to be fulfilled as well, most activities, in the stage of execution, are connected with promotion and widespread distribution of information. The first direction are the promotional activities made by the crowdfunding platform e.g. investor's meetings at which the originators and owners speak about the company and present the project. Second, there are the questions from the investors asked through the platform, e-mail, social media or phone. The answers have to be proficient and quick, with no doubts. The third direction is the own activities by company, e.g. co-operation with influencers or well-known people. Thus, the engagement in the project should be both temporally and substantively high, with readiness to fight to the end.

MONITORING AND CONTROLLING

Funds raised in the way of issuing shares, as well of equity crowdfunding, require from the company constant monitoring of the market value of those shares and a permanent relationship with investors to fulfill their expectations, especially in the scope of return rate. This results in the need to ensure an adequate and optimal dividend policy in the short term, which will be suitable to the solvency ratios and the investment needs. In the long term, the company should care about its market value and sustainable development.

Although the new shareholders in both cases have the same right, the shareholders from the crowdfunding campaign are very often not so demanding and do not engage in the real decision processes in the company as in the case of issuing shares. They do not expect and restrictively require periodic and detailed reports. In many cases, they do not control the company as well. However, good relations with the investors are very important because it builds the future prospects and the company image, which could be very helpful in the next process of raising funds.

PROJECT CLOSURE

The last phase of project management is the project closure. In the case of raising the funds by a company, especially in raising the equity capital in the way of issuing shares or equity crowdfunding, it is difficult to

Table 1: Comparative analysis of financing sources – equity crowdfunding vs. issuing shares from the point of view of the business owner

Phase of project management	Issuing shares	Equity crowdfunding
Initiation and planning	• defining the purpose, objectives, deliverables, resources, timescales • fulfilling the law requirements: - proper form - joint-stock company, - formal owners and management decisions, - prospectus approved by KNF, • advisors • partners (PR agency, auditors, brokerage houses) • concept of company development	• defining the purpose, objectives, deliverables, resources, timescales • fulfilling the law requirements - proper form - joint-stock company or the limited company, • online platform • business plan • arguments for the potential investors • condensed information about the company and its plans • short and general analysis of the sector or branch and the future prospects
Execution	• choosing the moment for the start regarding: - current and planned financial situation of the company, - market and economic situation, • preparing the new share documents	• choosing the moment for the start regarding: - season in the year • preparing the new share documents • promotion: - investors meeting - answers to investor questions (through the platform, e-mail, social media or phone) - co-operation with influencers or well-known people • widespread distribution of information

Monitoring and controlling	• preparing the periodic and detailed reports about the company, its financial condition, strategic decisions and the future prospects • establishing optimal dividend policy, suitable to: - the solvency ratios, - investment needs, • monitoring the market value of the shares	• maintaining the good relationship with investors (not by publishing reports but through proper communication) • monitoring the market value of the shares
Closure	Only as buyout the shares - very rare	

Source: Own study

say that a project ends. Thus, in many cases there is no project closure. It means the company has no obligation to pay back the capital. Sometimes it has happened that a company wants to buy back its shares and in such a situation we can speak about project closure. However, quite often a company simply uses the capital and does not think about buy-back.

Table 2 summarizes the earlier discussed problems and differences in raising funds by issuing shares and equity crowdfunding. Of course, it is only a general view of the management problem with these sources of financing and do not exhaust the whole subject. Thus, further research is required. However, this table and the above discussion are a good start of debate about the sophisticated issues connected with the management of alternative financing sources.

Conclusions

Capital is a kind of „engine" for an enterprise that not only drives its activities, but also leads to development. The easier it is to get it, the faster the growth rate should be. The recent global financial crisis has caused deep problems with access to external financing, but most of all a loss of confidence in traditional financial institutions and the entire system. In this way, it freed the creativity of entrepreneurs in search of other, new sources of financing.

Despite certain gaps in the law, companies are more and more eager to reach for raising funds by crowdfunding. Both the number of successfully finished campaigns as well as the level of raised quota are still increasing and the companies often choose Polish platforms. We can also observe a positive change in the characteristics of the companies themselves. They are very professional, innovative ventures, with a growing position on the market and finished, tested products. This is reflected in the results of the campaigns, where the rate of initial financial target reaches almost every time 100% or even more.

Equity crowdfunding is a most sophisticated form of raising funds. It attracts not only the fans of the project and of the company, but the real investors who seeks a better return rate than given them from other instruments on the market. Thus, the preparation for the campaign is really difficult. First, the company should get ready to compile the expected data. Second, the way of presenting the information should be very medial, so the fans could understand what the company want to finance and what will be the benefits for future shareholders. Those aspects as well as the legal requirements are the crucial things which should be of concern before starting the campaign. In the phase of execution, it is very important to have personal engagement and quick reaction to changing situations. This stage is completely different from the traditional financing sources as e.g. issuing shares and very challenging for the company and its owners.

The finished campaign is only the end of the phase of raising funds. After this, the company should fulfil the promises given within the campaign and elaborate good practises and relationships with the new shareholders. Although the undertaken actions are in some ways similar to raising capital by issuing shares, in the case of new shareholders from equity crowdfunding, much more important is always good communication.

It should be noted that we still have very little knowledge about what happens after the campaign. Are the funds invested properly and do the shares exist exactly as was promised in the campaign? We need answers to such questions so as to estimate the risk both for companies and for investors. We also need to build good practices in management of the capital raised from crowdfunding. These are only a few of the future research directions which should be undertaken.

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