



The Social Impact of Crowdfunding:

PPL and BES Crowdfunding

A social impact measurement study for “crowdfunded” projects

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ABSTRACT

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In the last two years we are witnessing a rapid change in how startups and philanthropic projects are fundraising their activities. Institutional donations and individual supporters are becoming scarce and this fact is particularly relevant to projects that need external funds like non-governmental organizations (NGOs) or social enterprises; hence crowdfunding platforms are becoming widely known as a response to those concerns.

The purpose of this thesis is to investigate how crowdfunding is emerging in Portugal by looking at PPL, the main crowdfunding website in Portugal and BES Crowdfunding, a social platform resulting from a partnership between PPL and BES (Banco Espírito Santo), a national bank. With a case study format, this thesis also aims to analyze how social projects are facing social impact measurement, by presenting the main methodologies and a practical example of how to apply the Expected Return model. Secondary topics such as motivations for the surging of crowdfunding, future trends, the importance of social impact measurement and its interconnection with crowdfunding are also analyzed.

We can conclude that crowdfunding is changing the fundraising paradigm in Portugal and social entrepreneurs are increasingly benefiting from it. Also, social impact measurement has become essential for both philanthropists and organizations, who need to convince external investors and achieve a higher internal efficiency.

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PREFACE

As a finalist Master student, I had plenty of time to hear the truths and myths about writing a thesis. From the first day I decided that I would only spend four months of my life studying something that would be both interesting to me and to my academic community. It's not an easy task since there are several options and the most interesting ones usually are not the easiest. Fortunately I could join two contemporary topics which I'm interested in: crowdfunding and social impact measurement.

Crowdfunding always fascinated me for its simplicity and, at the same time, ability to change the world. I had a previous contact with PPL in my attempt to finance a project through crowdfunding, and my failure contributed to increasing my interest about this powerful tool. On the other hand, I never understood why social projects sometimes are less efficient when compared with for-profit businesses and why, usually, they underestimate data collection. With this thesis I had the opportunity to connect these related topics.

The following business case is dedicated to analyzing the introduction and evolution of crowdfunding in Portugal, the motivations and benefits of philanthropists facing social impact measurement and a practical analysis of the Expected Return method introduced by Paul Brest and Hal Harvey in 2008.

Several people contributed for this case study to come true and I would like to thank everyone that directly or indirectly devoted time to support me in this task. In particular, I would like to thank the open communication and total availability of Pedro Domingos from PPL and the sympathy and insightful information from Isabel Carvalho, from Instituto de Empreendedorismo Social (IES). My special thanks to Associação Acreditar, in the person of Filipa Monteiro and Alexandra Correia and to Medicina Mais Perto (MMP) represented by João Sá Monteiro. Without them this work would stay only theoretical and, in my opinion, a lot less interesting. Finally I would like to thank Professor Susana Frazão Pinheiro for the guidance, especially in the crucial moment of defining a thesis topic and for all the useful feedback provided.

To conclude, I really hope that this work can be interesting for students like me, who feel passionate about social entrepreneurship and who see in crowdfunding a

community life-changing tool. I dedicate my work to all of those who still fear leaving their comfort zone to pursue their dreams.

Chapter 1 - INTRODUCTION

In the last years crowdfunding has established its presence as an alternative to the crucial act for entrepreneurs or firms: have its projects financed. This concept has emerged in 2006, in the USA, and has been propagating all over the world, also giving individuals the opportunity to financially support projects in which they believe.

Crowdfunding is present in Portugal since mid-2011 and has changed the financing paradigm in our country. However, projects with a social aim have been one of the most preferable categories, both for project promoters and backers. To these social entrepreneurs and institutions is given the chance to raise funds for their projects, creating the need for social impact measurement, which is many times forgotten.

The objective of this case study is to evaluate the social impact of crowdfunding platforms in Portugal. More concretely, it aims to analyze the history and motivations of PPL Crowdfunding, the main crowdfunding platform in Portugal, as well as proposing a practical impact measurement methodology for social projects. Other objectives are the presentation of the evolution and scope of crowdfunding outside Portugal, the most used social impact measurement methodologies and the practical application of the Expected Return method.

Summarizing, this paper addresses three main topics:

- 1- How has crowdfunding emerged and how is it evolving in Portugal?
- 2- How do social entrepreneurs measure social impact and for what purpose?
- 3- How can social projects apply and benefit from the Expected Return methodology?

Having a case study format, this paper is divided in 7 chapters, in addition to the introduction chapter, namely:

Chapter 2 - Literature Review – will address several topics relevant for the analysis. Some of them will be applied in the case study chapter. We will begin by analyzing the concepts of social entrepreneur and social entrepreneurship, as well as its evolution and importance for economic and social development. Moreover, a brief analysis of the crowdsourcing concept will be presented, culminating in the description of crowdfunding, how it has evolved, what consequences does it have nowadays

societies and the pros and cons when compared to other financing alternatives like business angels or venture capital firms. The second part of the Literature Review will address the importance of social impact measurement, as well as a summarized analysis of the three main methodologies: Social Cost-Benefit Analysis, the Social Return on Investment and the Expected Return.

Chapter 3 – Case Study – will analyze, through investigation of data and interviews, what is the social impact of crowdfunding. To address that question, the history and motivation of crowdfunding, the types of crowdfunding platforms, its results and future trends will be presented. Moreover, the same topics will be analyzed focusing on the Portuguese case, having PPL and BES Crowdfunding as references. The fourth topic of the case study will be dedicated to the analysis of social impact measurement methodologies, with the support of Instituto de Empreendedorismo Social (Social Entrepreneurship Institute) and the last part will address the analysis of the Expected Return Methodology, as well as a practical application in two social projects financed through crowdfunding.

Chapter 4 - Teaching Notes - is aimed to support teachers in a practical class debate about this case study. In this chapter, the Learning Objectives of this case study will be provided, as well as suggested Teaching Question, and finally the Discussion Guidelines, providing possible answers for the questions previously presented.

Chapter 5 – Conclusion and Further Research – will present the main conclusions, limitations and possible future topics to analyze in the same field of study.

Chapter 6 – Bibliography – contains all authors quoted and all papers and articles used in the topic's research.

Chapter 7 – Appendix – presents crowdfunding websites and project's images to better illustrate how they work.

Chapter 2 - LITERATURE REVIEW

2.1 Social Entrepreneurship and the Social Entrepreneur

The widely debated concept of Social Entrepreneurship emerged in the 1980's from the work of Bill Drayton and Ed Shoot in trying to fund social innovators and discovering revenue models for NGOs, respectively (Dees, 2007).

The modern definition of Social Entrepreneurship is constantly passing through various changes over the years. One complete and possible alternative would be describing social entrepreneurship as “the act of creating innovative solutions to immediate social problems and mobilizing the ideas, capacities, resources, and social arrangements required for sustainable social transformations” (Alvord, Brown and Letts, 2004).

Some authors refer to social entrepreneurship as the transferal of the market-based methods of traditional entrepreneurship to solve social problems (Grimes *et al*, 2013) and these modern organizational model can help to build a complete theory for Social Entrepreneurship (Arend, 2013). Other authors reinforce the differences between for profit and not for profit entrepreneurship, defining the pursuit of social missions to be the central in social entrepreneurship, in opposition to wealth creation that is the aim of entrepreneurship (Dees, 1998). Also, Social Entrepreneurship is assumed to be a credible alternative to the bureaucratic and ineffective intervention of the Government in some crucial social areas (Dees, 2007).

It is impossible to dissociate the concept of Social Entrepreneurship with the figure of the Social Entrepreneur, presented as not-for-profit individuals who assume the importance of the market forces without losing the focus in a social mission, balancing between these two aspects (Boschee, 1998). Some authors pointed social Entrepreneurs as the driving force of this century (Dees, 1998), by their ability to combine social development with constant innovation in resources and operations (Dees 2007) with motivation and care that may distinguish them from traditional entrepreneurs (**Grimes *et al*, 2013**).

Social entrepreneurs, like every entrepreneur, usually need to collect resources and efforts, sometimes from external sources. One of the most pressing emerging topics is the growing financial attention that social projects are getting through social media tools, which clearly is enlarging the “crowd” of individual backers or investors. As I

will develop further, crowdfunding (a type of crowdsourcing) is becoming a major fundraising alternative for philanthropic individuals who need to have those resources in order to start their projects.

2.2 Crowdsourcing

Crowdsourcing is a term introduced in 2005 by Jeff Howe and is defined as the act of outsourcing a task to a “crowd”. This is opposed to the idea of designating an “agent” (an organization, informal or formal team, or individual), such as a contractor, in the form of an open call (Howe, 2006, 2008; Jeppesen & Lakhani, 2010).

Crowdsourcing incorporates the idea of using the expertise of the agent, which is the basis of outsourcing. Some crowds have agents that, over the years, accumulated some level of knowledge and problem solving skills which can be valuable to corporations or individuals (Afuah and Tucci, 2012). In fact, certain tasks which used to be related to specific groups of experts and specialists are nowadays performed by large groups of people that form specialized communities (Greenland, 2011).

These communities are actually revolutionizing the cost-efficiency of certain operations in companies, transforming distant search for task execution in local search, with all benefits associated. This idea is reinforced by the past experience in better solving certain company problems when compared to internal sourcing or designating contracting (Afuah and Tucci, 2012).

However, Crowdsourcing models can only be applied to some companies. The adoption of a distant search method (even when transformed in local search) usually means more ambiguity due to the larger number of alternatives and consequent decisions. When compared to outsourcing, for example, the level of problem-solving effectiveness may be endangered (Afuah and Tucci, 2012). Another challenge of Crowdsourcing is in building a model where the sources are trustable, as it is very difficult to control the level of expertise of the ones that contribute to the “crowd” (Greenland, 2011).

2.3 Crowdfunding

The new Crowdsourcing models are now applied to a large diversity of operational components in companies and in society itself. When compared to the moment when a company receives the financing it needs then it is no different..Crowdfunding is a collective activity of financing, via web, a project, company or event promoted by individuals, groups of people or even organizations (Ordianini, Pizzetti and Parasuraman, 2013).

2.3.1 Crowdfunding overview

The nature of Crowdfunding gives investors (individuals or companies) the power to start or accelerate a project with a small amount per contributor, which, multiplied by many investors, will allow the entrepreneur to achieve the desired financing value (Kuppuswamy and Bayus, 2013). This “crowd” of backers decide whether to support a project or not to do so, getting involved not only in the financing itself, but also in the feedback and sometimes development of the product or service itself (Ordianini, Pizzetti and Parasuraman, 2013). These backers can potentially assess more information than a traditional investor would have in a venture capital presentation, for instance. They can observe the level of support the project has from other backers and also get access to social information about it, which can determine whether or not to invest (Kuppuswamy and Bayus, 2013).

This distinctive characteristic of Crowdfunding provides an essential intangible asset for entrepreneurs: learning. The system itself is based on constant feedback and incentives that can determine the future directions of the company being Crowdfunded (Belleamme, Lambert and Schwienbacher, 2013). Crowdfunding is also a very valuable tool for validation for new business ideas or models, due to the high exposure to potential customers (Gerber, Hui and Kuo, 2012). These customers are now playing a new role in some markets besides purchasing and consuming: the financing and provision of initial capital to new or existing projects (Ordianini, Pizzetti and Parasuraman, 2013).

The online factor also allows Crowdfunding prosecutors to get a more direct contact to investors than they would have through a Venture Capital or Angel Financing system, for instance (Kuppuswamy and Bayus, 2013). It not only is more direct as it is a much cheaper (especially in cases of donations instead of equity Crowdfunding), faster

(usually 60 days available for financing online) and with greater impact in terms of propagation (Gerber, Hui and Kuo, 2012).

Besides the evident advantages in cost-efficiency and learning processes by using a Crowdfunding procedure, there are other authors that suggest some potential benefits for the entrepreneur by choosing other financing methods like Venture Capital or Business Angels financing, which will be briefly analyzed.

2.3.2 Business Angels

Business Angel (BA) investors are defined as “wealthy individuals who offer risk capital to unlisted firms in which they have no family connection” (Mitter, 2012). In spite of the rate of success for a BA investment being very low, the values achieved through Crowdfunding are, usually, only applicable to a first round of financing. Crowdfunding investors tend to be mainly family or friends of the promoter of the project, which limits the value of the capital needed in a second round of financing (Zachary and Mishra, 2013). Contrary to some cases in Crowdfunding where the entrepreneur only has contact with investors at the time when the project is waiting for financing, BAs develop a relational governance, resulting in mutual trust and mentoring, highly valued for a starting company, having not only monetary incentives when supporting a project (Mitter, 2012).

2.3.3 Venture Capital

Other possible alternative is recurring to Venture Capital financing, defined as long-term investment in equity of new and unquoted firms performed by professional investors (Wright and Robbie, 1998). Besides providing the necessary capital for a first or second round of financing, Venture Capital is known for providing the founding team with valuable networks of people that can leverage the company awareness and success (Berger and Schaeck, 2011).

2.3.4 Conclusion

We can conclude that, even though every financing alternative has its own specific pros and cons, every investor needs to know how they impact and the return its investments provoke. If this might be clear for a for-profit business entrepreneur, but it hasn't been so straight forward for many social entrepreneurs, who do not collect relevant and periodic information about their social project operations and results. In order for that to

happen, some authors developed frameworks and indicators that can support these individuals, NGOs and Social Enterprises to provide relevant data about their impact to the society in general but also to donators and financing partners in particular.

2.4 Measuring Social Impact

2.4.1 Importance

Every year philanthropists grant billions of dollars for their projects. Research shows that, due to the existing social scope, they often do so without assessing whether their chosen strategies are likely to solve the problems that motivate their giving, and the effectiveness of the organizations they fund (Brest, Harvey and Low, 2009).

The difficulty in capturing social impacts has become evident mainly because social criteria are not evidently positive or negative in themselves, but rather depend on changing perceptions (Burdge & Vanclay, 1995; Vanclay, 2002).

Funders' requirements have become more demanding (Ellis, 2008), meaning that they are more keen to give their money if nonprofit organizations are able to measure and convincingly prove their social impact. There is also a push from nonprofit organizations to better demonstrate the value they are creating (Arvidson, et al., 2010). The nonprofit sector is becoming increasingly professionalized (Hwang and Powell, 2009) and competitive, a reality that is exacerbated by the current economic crisis and that decreases the allocation of private and public resources, heightening the competition between the nonprofit organizations (Ebrahim and Rangan, 2010).

Moreover, experiments show that social entrepreneurs and socially active corporations find it difficult to value environmental and social benefits in monetary terms, leading to error or ambiguity in measuring outcomes (Gregory et al., 1993).

Over the years, these social agents tried to predict the benefit per dollar invested in their projects. However, there is still the need to have a common metric to make comparisons and to provide social impact results to investors (Brest, Harvey and Low, 2009). There are significant challenges and limitations that must be recognized in this field. Some of them are pointed by Tuan (2008), namely the lack of common measures, quality data and the cost of measurement. One cause of these limitations is the fact that there is an attempt to develop objective measures, based on subjective value judgments. This

happens because “doing good is a matter of societal values about which there may be little or no consensus” (Kanter and Summers, 1994: 221). This means that, for the same outcome, one should expect inconsistency regarding its value, as different people value it in different ways.

2.4.2 Cost-Benefit Analysis and Social Cost-Benefit Analysis

The concept of Cost-Benefit Analysis (CBA) dates back to 1848 when Jules Dupuit introduced a concept where all the benefits and costs (whether tangible or intangible) of a certain project should be taken into consideration and expressed in monetary units (Arvidson, McKay and Moro, 2010). The main goal of CBA is to allow the decision-maker to, after taking into consideration all variables, decide whether to pursue the project (if there is a surplus) or no to do so (if the costs are greater than the benefits, and consequently, there is a deficit) (Fujiwara, 2010).

However, there are limitations for the CBA. Firstly, it relies on the market prices for either the costs or benefits of an investment or project, making it very sensitive for price assumptions. A small difference between assumption and reality will have a major impact. Secondly, anything discounted at a rate of 3-6 per cent becomes meaningless after 50-100 years. Yet some of the most important environmental problems are only meaningful over such a timescale, undervaluing the analysis (Chichilnisky, 2009).

In order to address the main limitations of the applicability of CBA for social investments or projects, a Social Cost-Benefit Analysis should be performed. The SCBA takes into consideration the social discount rates and economic value of certain social components (Ram Babu and Ramakrishna, 2009). However, some social impacts cannot be completely defined, and sometimes quantitatively valued, as the impact or outcome of a certain social project has different results (in particular cases) in different individuals (Vanclay, 2004). Despite some limitations in defining assumptions for all market prices (that remain for SCBA), the SCBA has some inherent advantages of being able to present well-synthesised information for decision making (Ram Babu and Ramakrishna, 2009).

2.4.3 SROI

Social Return on Investment (SROI) is one of several social impact valuation methods, defined as the social impact of a business or nonprofit's operations, in dollar terms, relative to the investment required to create that impact and exclusive of its financial return to investors. (Lingane and Olsen, 2004). The ratio calculation involves taking into consideration the inputs, outputs, outcomes and impacts made and experienced by stakeholders of an organization. This intention to involve stakeholders is the distinctive characteristic of SROI (Arvidson, McKay and Moro, 2010).

The origins of SROI are related with the traditional cost-benefit analysis and social accounting, and its main goal is to put a monetary value on the social and environmental benefits of an organization, relative to a given amount of investment (Ellis, Parkinson and Wadia, 2011).

Despite the fact that the SROI is frequently pointed out as the most accurate measure of social impact, its intrinsic stringency may be beyond the organization's capacity to calculate it (Wood and Leighton, 2010). Related to this, the need of good monitoring systems over time and the focus on collecting data and quantitative goals may imperil the implementation of SROI (Arvidson, McKay and Moro, 2010).

It seems to be consensual by the main authors in this research area that the calculation of SROI should be used to keep track of the organization progress and goal definition instead of being used as a strict way of measuring its social and environmental impact (Wood and Leighton, 2010).

2.4.4 Expected Return

The Expected Return is the predicted benefit per dollar invested. The main goal of this valuation method is to make comparisons between philanthropic projects within a single domain (Brest, Harvey and Low, 2009). Expected Return, first, requires the translation of missions and (sometimes vaguely-worded) goals into quantifiable metrics and targets, aggregating them into a mathematical equation (Brest and Harvey, 2008).

The Expected Return equation computes the "Benefit in a perfect world" (the desired impact in the same units as the goal of the organization), the "Likelihood of success" (constrained by internal or external limitations for the "Benefit in a perfect world" to

occur) and the “Philanthropic contribution”, which is the share of value delivered by the social entrepreneur (Brest and Harvey, 2008).

The main distinctive characteristic between the Expected Return method and more traditional methods like CBA and ROI is the incorporation of the philanthropic contribution into the final outcome and the fact that it takes into consideration the goals of the organization in the final result, without being mandatory to convert them into a monetary result, as seen in the William and Flora Hewlett Foundation Report (Brest and Harvey, 2008).

The strong emphasis on assumptions, the lack of using mathematical techniques such as linear or integer programming that could dramatically improve the accuracy of the calculations and the lack of a discounted cash flows method are pointed out as the main limitations of the Expected Return valuation method (Brest and Harvey, 2008).

Chapter 3 – CASE STUDY

3.1 Project Overview

This case study will address two different topics in a related and interdependent perspective: Crowdfunding and Measuring social impact.

Firstly, the evolution of crowdfunding platforms in the United States of America, the origins of crowdfunding and what motivated its appearance will be presented. Then, the main focus of the case study will be analyzing the history and evolution of crowdfunding in Portugal, through the main Portuguese crowdfunding platform: PPL. It will also analyze a second platform, BES crowdfunding, which has a social focus in the projects financed. Moreover, there will be a discussion of the importance of measuring social impact of social entrepreneurial projects, with the assistance of Instituto de Empreendedorismo Social. This case study will finish with a practical exercise of measuring the social impact of crowdfunding having in light two social projects: “O Cabaz” project and Medicina Mais Perto.

3.2 Crowdfunding

3.2.1 Motivation

Every day, thousands of entrepreneurs face one of the most frightening and decisive questions of their professional (and very much personal) life: “How do I get the money I need for my project?”.

Entrepreneurs, or, “individuals who pursue opportunities without regard to resources they currently control” (Stevenson and Jarillo 1990), have always existed since the creation of humanity. And surely always had the problem of how to put together all resources needed to perform their desired activity, from creating the wheel to the new iPhone. Sometimes this effort in adjusting resources to activities can be made by spending time or creating partnerships. But in the majority of cases, it involves spending money.

When the entrepreneur does not have the capacity to fund all activities with his/her own money (or just wants to share the risk), there is a need to get external funding. The act of obtaining funds or goods through an external source is as old as 2000 BC, when the merchants of Babylonia needed to transport grain to other locations. Even though the

complexity of products and contracts has evolved, the system of loans remains the same, based on the payment of installments and interests. Over the years, and especially after the beginning of the 2007-2008 financial crisis, Banks increased the demand for assurance of return and are limiting the loans due to the lack of trust in getting back what was borrowed.

The importance given by governments and civil society to entrepreneurship, mainly because of the creation of new companies, technologies and jobs, was decisive to change the *status quo* in fund raising for new projects. Banks have special products and contests specially made for entrepreneurs and alternatives like business angel (BA) investment and venture capital (VC) firms that have been growing its awareness and importance for their target. These last two, contrary to banks, offer more than money. Business angels contribute with mentoring and support to the funding team, and Venture capital firms are known for the extensive network of executive professionals and worldwide contacts that they offer the selected projects. These intangible assets are sometimes more important than money for a future firm which aims to enter a specific market or to make their business global.

Even though BAs and VCs contribute a lot to the entrepreneur's probability of success, they still have costs too. Usually BAs require a share of the equity of the future enterprise or high level interests in case of a loan or a mixed funding. VCs existence depends on the future profit that the equity of the company can provide, either through dividends or receiving a (usually) large part of the selling value of the firm. Entrepreneurs believe in their projects. Specially, they believe in the future value of their companies. That said, it is very difficult to negotiate with BAs or VCs who generally ask for a high percentage of equity or high interest rates due to the high risk that a new projects embodies.

3.2.2 The financial revolution: Crowdfunding

In 2006, Jeff Howe “created” a term that was already applied many years ago: Crowdsourcing. In a companion blog, Howe described Crowdsourcing as the activity of outsourcing work to a crowd of individuals outside the companies. The article “The Rise of Crowdsourcing”, published in “Wired Magazine” (where Howe is editor¹)

¹ “The Rise of Crowdsourcing”, Wired Magazine, Jeff Howe, June 2006

changed the perception of companies in the time of choosing alternatives to outsource or contract a task or an activity.

Crowdsourcing is the bridge between companies (or individuals) and a crowd that can bring value to an initiative. If the company needs ideas for a brand new product or to develop the security system of their website, it can outsource the job to a lot of people with the skills needed to do it. Some of the most well-known examples are the Toyota logo, which was a consumers contest in 1936 for the best logo; Wikipedia, which is based in information given by the crowd; and Facebook, that crowdsourced the translation of its website.

Crowdsourcing, as we can see from the examples above, was already present much before 2006 and in multiple forms in society. From designing and commercializing t-shirts (Threadless) to getting new ideas to corporate problems (Innocentive), crowdsourcing is expanding its presence day by day.

One of the topics gaining major awareness and interest by society is crowdfunding. Crowdfunding is crowdsourcing applied to the financing of projects or companies, in online platforms. Virtually anyone can become part of the “crowd” which takes contact with these projects through websites like Kickstarter or Indiegogo. On the other side there are the founders of companies, social projects, music albums or even independent movies who need external funding to put their project “on live”.

3.2.3 Types of crowdfunding

1. Equity-based crowdfunding

This type of crowdfunding is only legal in certain countries and is being legislated in the USA (since 2013) and consists in a normal equity investment. The founder of the project puts a percentage of the company available in the crowdfunding platform in exchange for a certain amount of money. For instance, if I go to an equity-based crowdfunding platform, I can invest 100\$ and, if the company achieves the desired final amount of financing, I have the right to detain x% of the company’s equity. Due to lack of regulation and the novelty of such an investment system justifies the fact that equity-based crowdfunding is not already legislated in the majority of countries.

2. Lending-based crowdfunding

In this crowdfunding system, backers receive back what they invested in a company/project through time, defined by the founder. For instance, I can support a project by investing 100\$ today, and then, one year after, receive the same amount. This method is known by its capacity to boost new companies. Usually there are no interests involved in this system.

3. Reward-based crowdfunding

This is the most common method used in crowdfunding platforms. When putting the project online for financing, the founder defines a set of rewards (physic or online) dependent on the amount invested by the backer of the project. For example, in the case of a music band trying to fund the editing of their first album, if I invest 5\$ in a project, I can get a greeting card at home, but if I invest 20\$ I can get the album that a music band is trying to commercialize, and so on.

4. Donation-based crowdfunding

Just like the title refers, backers donate a certain amount to a project, without expecting any return on that investment. For instance, if I invest 50\$ in a HIV support center, in Africa, I can contribute to the transportation of volunteers to the field operations and put the project into place.

Every type of crowdfunding system has its own particularities, pros and cons, but, more important than that, they must be wisely analyzed by the promoter of the campaign. If he/she is no willing to let go a percentage of equity, a reward-based model is more applicable. If the project is a for-profit company, maybe the donations-based system should be put aside and so on.

3.2.4 Crowdfunding results

Even though Kickstarter was not the first existing crowdfunding platform, it is one the most well-known, having funded more than 843,000\$ for 50,000 projects with a success rate of 43% since its launch, in 2009. For that numbers to become a reality, 5,000,000 people have invested their own money in activities or companies in which they believed, raising awareness and funds. Kickstarter policy is to give total independence to their promoters to deal with backers and pledges, assuring only the basic security of

the website. Kickstarter's role, just as the majority of crowdfunding platforms, is an intermediary one, keeping a 5% fee of the amount funded but only if the targeted value is reached by the project.

Indiegogo has more artistic focus when compared to Kickstarter, which is more targeted for innovative and technological companies. Having its origins related to independent movies funding, Indiegogo is also a huge success in this market, offering the distinctive characteristic to promoters of allowing a flexible funding. This model consists in charging a 9% fee (instead a 4% normal fee) if the promoter wants to keep the funds raised even if the target value was not reached.

There are other globally known crowdfunding platforms like RocketHub, Appbackr or Sellaband, each one with its own focus in technology, arts, social projects or apps. In conclusion we can state that crowdfunding companies are revolutionizing the funding market in the whole world. Now entrepreneurs and project promoters have a new alternative when it comes to obtaining the financial resources they need to perform their activities.

Globally, crowdfunding platforms have been able, in the latest years, to raise millions from the "crowd" and deliver it to entrepreneurs and philanthropists, creating businesses, employment and social impact in multiple ways in several societies. Crowdfunding is a cost-efficient and flexible alternative for fundraising and new investments, competing more and more with bank loans, BAs and VCs investments.

3.2.5 The future of crowdfunding

Even though crowdfunding is a recent tool for financing new projects it is evolving into a more targeted and competitive type of market. Nowadays there are crowdfunding platforms specialized in culture and arts, technology, philanthropic projects, apps and so on, covering many different areas or aims.

Another future trend for crowdfunding is the growing of equity crowdfunding platforms. The JOBS² Act enabled this type of crowdfunding to be legal (still with restrictions) since September 2013 and there are already many platforms like

² JOBS Act (Jumpstart our Business Startups Act) is a law signed by President Barack Obama on April 2012 and aims to easy regulations which refer to startups financing, mostly related with crowdfunding procedures.

StartupValley or EquityNet, which offer that service. The main obstacle for this evolution to become global is national norms and jurisdiction about collective financing in many countries, like Portugal, which do not allow “crowds” to finance companies by receiving an equity share in exchange due to the level of information required about investors, which is almost impossible to collect with a crowd-based funding.

A new group of businesses which only “came to live” due to crowdfunding is starting to appear. This fact is completely changing the funding industry, introducing novelties that should be taken into consideration not only by entrepreneurs but also by “traditional” lenders like banks, BAs or VCs.

3.3 Crowdfunding in Portugal

Pedro Domingos speaks with the pride and heart that only a society-changing entrepreneur can aim to do. Domingos is nowadays the executive director of PPL, the most successful crowdfunding platform in Portugal. PPL.com.pt (People com Portugal) was born in the summer of 2011, when three MBA students at The Lisbon MBA (partnership between Católica-Lisbon School of Business and Economics and Nova School of Business and Economics) and their Operations Management professor founded Orange Bird.

Orange Bird is a company “passionate about collective wisdom, collaboration and the innovation potential living inside each individual and user”³, intention materialized in PPL. Besides PPL, Orange Bird has a second crowdfunding platform developed in collaboration with Banco Espírito Santo (BES), called BES Crowdfunding, dedicated to funding social projects

In Portugal there is a third crowdfunding platform called Massivemov, the first one to appear, in May 2011, one month before PPL and in the same month Orange Bird was founded as a company. In this business case the focus will be on analyzing PPL and BES Crowdfunding due to the first being the most successful one (more capital collected) and the second having a concrete social target and aim.

³ <http://ppl.com.pt/en/company>

3.3.1 PPL.com.pt

“The idea behind PPL emerged in April 2011, a time when no crowdfunding platform or company existed in Portugal”, explains Domingos. In line with the “mother” company mission, PPL’s objective is to “allow the high potential ideas in the minds of Portuguese entrepreneurs and philanthropic individuals to become real in so many different areas like social events, arts and culture, sports or commercial products”.

PPL.com.pt works like most of the existing crowdfunding companies. Promoters submit their projects online, defining the funding goal (which in PPL has been between €500 and €10.000) and the rewards offered to project supporters (with the maximum number of 12 in PPL) and the deadline (which varies between 50 and 60 days, usually). At the deadline date the promoter receives the asked financing only if the value was accomplished until that date. If the targeted amount isn’t reached the money returns to the backers.

Domingos reports that “only 20% of the submitted projects are approved”. This first phase of control takes into consideration the amount required, the rewards’ consistency, the time frame for the funding and the purpose of it. Only projects that show capacity of execution and realistic goals go online. “Our intention is to put projects only as fast as we can, and our new partner, Pedro Pires, is doing an amazing job about it”. Pedro Pires explains that “The submission frequency has a daily basis. PPL is now able to execute two projects per week, which is highly significant, giving the current context”.

However, the hard work comes after the project submission, says Domingos. “In the end of our 2 years of operations, 46% of the submitted projects reached their financing goal”. This fact proves the strength of crowdfunding as a financing alternative. However, it also says that more than half of the projects submitted don’t get the money they need to start. “It is fundamental to attract the first investors, usually family and friends, which give credibility to the project and visibility to a more embracing public”. Not only word-of-mouth and hours of “personal selling” but also social media and media promotion seems to be required for a project to reach its funding goal.

3.3.2 PPL’s Results

Since its foundation and until August 2013 PPL has collected more than €275.000 through over 7.700 backers and was able to successfully finance 95 projects. PPL

accepts submissions from projects of any field, but the most common submissions are from projects related with music, entrepreneurship, books, education, theater, and from the social area. However, the categories with higher financing rates are music, technology and social projects.

“The crowdfunding concept is still emerging as a trend in Portugal, and a big part of our population has some reluctance in dealing with new technologies, namely using internet and money at the same time”, says Domingos. In spite of the first crowdfunding website having appeared in 1998⁴, the concept is very recent in most countries, like Portugal. The progressive knowledge and awareness about it through media and promoters, aligned with the need for financing alternatives to bank loans, will make crowdfunding an even bigger source of funds for new projects. There is a growing trend of both projects submitted and backers contribution that cannot be ignored.

3.3.3 The social focus

Pedro Pires claims that although cultural and music projects dominate backers’ preferences, the social projects were having a great financial success rate. “Social projects were one of the most common topics, either for entrepreneurs or supporters, and we internally felt that the right path was to segment this offer.”

BES Crowdfunding was created based on three criteria:

- This high demand for social projects;
- The need for BES to have a social program were it could develop its social corporate responsibility objectives;
- And PPL’s need to segment this offer and distinguish between a regular entrepreneurial offer and a social one.

“We see it as cooperation and not as cannibalization between platforms. In PPL we give preference to more creative projects and the profiles of promoters and backers are different between these two options.”

⁴ Adopt-A-Classroom is registered as the first crowdfunding platform, appearing in 1998 and consisted in allowing the “crowd” to contribute with money to buy school supplies for a certain class.

In fact, BES Crowdfunding rates of publishing and financing are somewhat higher when compared to PPL rates, as we can see in the table below.

Table 1 – Project rates comparison

| | PPL | BES Crowdfunding |
|---------------------------|-----------|---------------------|
| Projects Submitted | 932 | 100 |
| Projects Published | 241 (25%) | 46 (46%) |
| Projects Financed | 95 (45%) | 24 (65%) |

3.4 Impact Measurement

As said before, the first phase in submitting a project for Crowdfunding consists in, besides other factors, analyzing the aim of the project and coherence of the value asked for financing. Including this topic as a requirement for approval puts entrepreneurs in the “right mindset” when it comes to estimate costs. Project promoters must explain to potential supporters what they want to do with their money. “It may seem simple, but having this consciousness is not that common in philanthropic entrepreneurs”, states Isabel Carvalho, research director at Instituto de Empreendedorismo Social (Social Entrepreneurship Institute), IES.

3.4.1 Situation overview

IES has become the reference for social entrepreneurs in Portugal in the recent years due to the training sessions, contacts provided and support in implementation of projects. “Impact measurement importance has grown along time and today it’s more fundamental than ever. The reduction of public funds and the economic crisis made firms and donors question more when it comes to spend their money in projects which don’t adequately guarantee social results.” states Isabel Carvalho, who adds that “It’s not a matter of not wanting to help society anymore, it’s the need to justify, through objective data, that they should continue or start to fund a certain project.”

Even though it is clearly more difficult to analyze the social return of projects than profits in a regular one, IES is making an effort in putting into place training sessions for these entrepreneurs. “The logic model of return is on the basis of most measurement options, and the SROI is often used, in spite of its inherent complexity.” Although the

awareness of social measurement is growing between philanthropic contributors, the motivations are also changing through time.

3.4.2 Importance of measurement

Objective reasons for measuring results and collecting numerical data are the negotiation ability when meeting possible fundraisers, ability to promote the project's ratios and raise public awareness. However, these motivations are changing between entrepreneurs, as explains Isabel Carvalho. "These reasons are true for every promoter at the beginning of the process of measuring impact. However, when questioned about the benefits of measurement after the process, entrepreneurs state that internal efficiency and performance were the most positive impacts of it." This said, we can conclude that even though there are external motivations for measuring social impact, the main benefits seem to be internal.

3.4.3 Measurement limitations

A strong difficulty faced at the time of measuring social impact is not only the complexity of frameworks like SROI but also the totally different aim between projects. Every for-profit company, as the name refers, aims for profit. But in social projects one can aim to provide food support to children in Cambodia or to allow autistic children to have a proper follow-up with professionals. The question is not only "How to turn impact into numbers" but also "how to measure such different aims".

"The Expected Return from William and Flora Hewlett foundation seems to fit every situation, adjusting numbers to concrete objectives", states Isabel Carvalho. In fact, this conceptual and practical framework for impact measurement is chosen by many authors for that distinctive characteristic.

3.5 The Expected Return methodology

As cited by Paul Brest and Hal Harvey, the expected return aims to get a benefit per dollar invested, depending on the scope of the project analyzed. To get to this number, the expected return needs to compute the "Benefit in a perfect world" the "Likelihood of success", the "Philanthropic contribution" and the "Cost" of putting the project into place.

1) Benefit in a perfect world

This factor depends on the aim of the project. For example, if the purpose of a certain project is to help drugs addicts, the “Benefit in a perfect world” for that social venture could be “Ensure that 100 people have access to our treating services” or “Raise the awareness of this social problem in our 500 people community”.

The “benefit in a perfect world” must be a numerical objective and must be in accordance with the aim of the project.

2) Likelihood of success

The likelihood of success of a social project is very difficult to compute due to the high number of possible constrains and limitations that may interfere with the project. It is a percentage value which is 1 in the case of a project that can totally assure the execution of the project with the financing requested (Cost).

3) Philanthropic contribution

The philanthropic contribution is also a percentage value. It aims to calculate the share of value delivered by the social entrepreneur (or the social firm) that develops the venture. It takes into consideration not only the percentage of money invested into the project but also the time and the importance of the work to make the venture happen.

4) Cost

The cost factor is the total amount of money required to put the project into place without taking into consideration its source.

$$\text{Expected Return (Objective/€)} = \frac{\text{Benefits in a perfect world (Objective)} \times \text{Likelihood of success (\%)} \times \text{Philanthropic contribution (\%)}}{\text{Cost (€)}}$$

By taking into consideration the concrete aim of every project, the Expected Return analysis has the flexibility to adjust between ventures. However, the “likelihood of

success” and “philanthropic contribution” factors may, in some cases, be inferred through assumptions and not by numerical and objective values, which diminishes the credibility of the rate. Despite this limitation, the Expected Return approach turns simple and flexible what most impact measuring methodologies make complex and lack interpretation.

Two different projects will be analyzed next using the Expected Return analysis developed by Paul Brest and Hal Harvey in 2008. These two projects were totally financed through crowdfunding and were both able to perform their activities.

3.6 Practical analysis

3.6.1 Project 1 - “O Cabaz”

Associação Acreditar (Acreditar) was founded in 1993 with the mission of “helping children and their families in all the process after cancer has been diagnosed.” This Private Social Solidarity Institution⁵ was born after the conjoint decision of parents of children using the pediatric oncology services in Portugal.

Through professionals like psychologists and social workers, Acreditar aims to give support to children and their families by implementing several projects divided in four main subjects: Families’ support, emotional support, social support and leisure activities. Acreditar is present in 4 groupings across the country.

Under the social support objective of Acreditar, and with the cooperation of Instituto Português de Oncologia (IPO, Portuguese Oncology Institute), they identified the need of helping hospitalized children’s families through feed support. Acreditar’s house in Lisbon decided to create “O Cabaz” (the basket) project.

“In practice, what we needed was a solution for a very concrete problem of the children’s families: food needs.” says Alexandra Correia, Acreditar Lisbon Office Coordinator. “IPO identifies the needs and we make our maximum effort to satisfy them. In this case, we put together different types of food products into baskets which are given to the families”. Each basket is a combination of 28 different goods and has an average value of €60. It was designed to cover one month of food needs for one family.

⁵ IPSS

“BES is one of our funders and they told us about BES Crowdfunding platform, which was a big opportunity for us”, adds Filipa Monteiro, director assistant and responsible for the submission of the crowdfunding application. “We knew exactly what value to ask for, and crowdfunding enabled us not only to be independent from Governmental funds but also to give to the society the opportunity to participate in Acreditar’s activities.”

“O Cabaz” project wanted to support 8 families during 3 months, so the total cost for this venture is €1.440. “We decided to ask for the total value of this project in the BES platform since it was in accordance with the average value asked” explains Filipa. “We used our internal and external network of funders and friends of Acreditar and, fortunately, we exceeded the value, reaching €2.339”.

Expected return calculation:

| Expected Return Factor | “O Cabaz” |
|--------------------------------------|---|
| 1) Goal | “O Cabaz” project aims to help oncology patients’ families in financial difficulty (general goal) by offering them baskets with non-perishable food products (specific goal). |
| 2) Benefit in a perfect world | If Acreditar could reach the desired value (cost), it could offer 1 basket per month to 8 families during 3 months, reaching 24 baskets in total. |
| 3) Likelihood of success | With the €1.440 Acreditar can assure with 100% certainty that the 24 baskets would be delivered to the families, so the likelihood of success, in this case, is 1. |
| 4) Philanthropic Contribution | Since Acreditar is in charge of contributing with all the money and work |

| | |
|-------------------------------|--|
| | involved in putting the project into place, the philanthropic contribution is 1. |
| 5) Cost | In this case the total cost of the project is €1.440, totally obtained through crowdfunding. |
| 6) Expected Return | <p>Expected return = $\frac{24 \times 1 \times 1}{1.440} = 0,01(6)$</p> <p>In this case, the interpretation of the expected return value is: if one invests €1 in “O Cabaz” project, it would be possible to finance 0,01(6) baskets, under the project and the entrepreneur’s conditions.</p> |
| 7) Crowdfunding Impact | <p>Crowdfunding impact = 24 baskets + $(2.339 - 1.440) \times 0,01(6) = 24 + 15 = 39$</p> <p>As we can see, crowdfunding not only had the ability to provide the initial 24 baskets but also gave Acreditar the ability to use €899 into their project, which were converted into a total of 39 baskets. Filipa Monteiro explained how Acreditar used that money: “We decided to maintain the 8 families and allow them to extend the period of the program, using the 15 extra baskets”.</p> |

3.6.2 Project 2 - “Medicina Mais Perto”

Social intervention was always a priority when defining the master budget of the students union of Faculdade de Medicina de Lisboa (Medical School of Lisbon). In

2012 the Medicina Mais Perto (MMP, Closer Medicine) missions started with the aim of providing medical support to a small community in Mozambique.

MMP, organized exclusively by university students from the referred college, has a diverse list of activities such as: medical consultations check-up; forward patients to specialties; Medical and social training sessions to families; Home visits; Forward to HIV tests. By performing these activities, MMP was able to direct and assist approximately 1.440 people in nine weeks of field activity.

“We knew the difficulty of financing this type of projects but we were also aware of the impact that 2 teams of 4 students each can have in Mozambique” says João Sá Monteiro, current responsible for the MMP project. In 2012 MMP recurred only to external funders like AXA or BES, but for the 2013 series, they wanted to change the financing strategy. “The idea is to replicate this mission every year, and we were aware of the growing difficulty in depending exclusively on corporate donators, so we turned to crowdfunding” states João Sá Monteiro.

Even though a crowdfunding campaign depends on many factors to turn successfully, João Sá Monteiro states that the students union has all the means to reach the desired value. “We, at the students union, have the ability to mobilize hundreds or even thousands of students for a certain cause or project. And so, we aligned this promotion capacity with our willingness to help with knowledge and resources”.

For the 2013 series, MMP created a crowdfunding campaign in PPL which had the duration of almost 3 months (above the average duration) and were able to collect 136% of their objective value of €2.000, €2.724. “Since our added value in the field is forwarding people to medical screenings and the organization of training sessions, we could not input the costs specifically to the activities. Our total costs to perform the missions are related with medical equipment, the life costs of the volunteers and the travel tickets.

Summing up all costs involved, MMP needs €2.150 to send 1 volunteer to the field. Since their goal is to send 2 teams of 4 elements each, the total cost is €17.200. If we add the medical equipment costs we reach a total mission cost of €19.200. “We knew that this was an unrealistic goal to ask through a crowdfunding campaign and PPL

warned us about it. We would still need corporate sponsorships but we were less dependent on them.”

Expected return calculation:

| Expected Return Factor | Medicina Mais Perto Project |
|---|---|
| <p>1) Goal</p> | <p>The “Medicina Mais Perto” project aims to contribute to the medical support and care of the population of a small community in Mozambique (general goal) by sending 2 volunteering teams of 4 medical school students each (specific goal).</p> |
| <p>2) Benefit in a perfect world</p> | <p>MMP intends to send 8 volunteers to the field. In a perfect world, these two teams would be able to track and follow 150 children and 80 mothers, put into place 50 training sessions to local kindergarten center collaborators, 85 HIV tests and 12 children deworming sessions, in a total of 1.440 people impacted by MMP.</p> |
| <p>3) Likelihood of success</p> | <p>With the corresponding cost, MMP:MZ can send 8 volunteers to the field and impact approximately 1.440 people with medical and social support. In this case, the likelihood of success is assumed as 1.</p> |
| <p>4) Philanthropic Contribution</p> | <p>The amount asked through crowdfunding corresponds to only a part of the total cost of the 8 volunteers, so in this case, the total amount requested in PPL: 2000€ plus the contribution of the students union of</p> |

| | |
|-------------------------------|---|
| | <p>the faculty (1050€), which the philanthropic team is part of is 16% of the total cost. The other 84% is achieved by partnering with TAP and other institutions like AXA and BES. However, the philanthropic impact level is 100%. In this case the philanthropic contribution is assumed to be 0,8 due to these two contradictory forces.</p> |
| 5) Cost | <p>The cost associated with this project is €19.200 in total, which includes traveling, feeding, accommodation, visas and medical equipment.</p> |
| 6) Expected Return | <p>Expected return = $\frac{1.440 \times 1 \times 0,8}{19.200} = 0,06$</p> |
| 7) Crowdfunding Impact | <p>Crowdfunding impact = $2000 \times 0,06 + (2724 - 2000) \times 0,06 = 163,44$</p> <p>By analyzing these results, the total value provided by PPL guaranteed that at least 163 people in Mozambique could be aided by MMP, which proves the value that the crowd can address to social projects in general and to individuals in concrete.</p> |

Although this Expected Return analysis combines factual and assumed factors, it may be a relevant result for the projects above mentioned. By knowing how their actions reflect by euro invested they gain negotiation power with investors and can implement internal quality standards through time.

Crowdfunding has positively impacted not only society, as these results prove, but also NGOs and philanthropists. When creating a crowdfunding campaign, every project

promoter has to present a goal, a target amount and an expenditure plan. This demanded items transformed intentional projects into robust analysis and, in some cases, into real projects.

3.7 Further Challenges

It is clear for entrepreneurs and for supportive institutions like IES that the paradigm of fundraising is changing. Crowdfunding brought an alternative opportunity. However, this opportunity is also challenging in a certain way. The positive aspect of including the community into the performance of a social project brings along the responsibility of the philanthropist to deliver results and to measure them.

Several questions rise in this field. How demanding will be project supporters? How often will crowdfunding be the chosen solution by project owners? How will crowdfunding platforms evolve in order to embrace performance measurement and community participation?

Chapter 4 – TEACHING NOTES

4.1 Learning Objectives

This case study was designed with the purpose of addressing two different but interconnected topics: Crowdfunding and social impact measurement. Having said this, it is relevant to be discussed in classes focused on entrepreneurship, social entrepreneurship, innovative ways of fundraising and impact measurement. The Learning objectives (LO) proposed are the following:

LO1 – The existing need for entrepreneurs and philanthropists to find and use innovative ways of finance their projects, in particular, using crowdfunding.

LO2 – The history, the motivations and the growing results that crowdfunding platforms are achieving in Portugal, in particular PPL and BES Crowdfunding.

LO3 – The benefits for both the entrepreneurs and the society to measure social impact and possible internal and external consequences.

LO4 – Learn how the Expected Return methodology does represent a benefit for philanthropists and what its main limitations are.

4.2 Teaching Questions and Methods

In order to assure that the learning objectives are addressed, three guiding questions are presented below:

TQ1 – In the case, what are the reasons behind the need for crowdfunding and what are the main future trends?

TQ2 – What are the main factors that the projects studied (Acreditar and MMP) present as decisive to achieve a successful crowdfunding campaign?

TQ3 – What are the internal and external benefits of measuring social impact and how does the Expected Return methodology address them?

In terms of teaching methodology, students can assume a different role per question. An interesting approach would be to delegate a question per group to present and discuss in class to foster an interactive session..

In TQ1, students assume the role of a new Portuguese crowdfunding platform that is analyzing the market introduction, why it is interesting to enter it, and what would be the future trends. In TQ2, students play the role of a firm or entrepreneur who decided to run a crowdfunding campaign, assessing how they can do it successfully. Finally, TQ3 provides the students the opportunity to incorporate a social business that is considering the hypothesis of starting measuring its social impact.

By having these three different perspectives, students can benefit from a more complete and interesting analysis about crowdfunding and social impact measurement.

4.3 Discussion Guidelines

The following answers do not intend to be analyzed as a unique correct answer but as guidelines to achieve the learning objectives on each teaching question.

- **TQ1 – What are the reasons behind the appearing of crowdfunding companies and what are the main future trends?**

In the first part of the case study – chapters 3.2.1 and 3.2.2. – there is a brief analysis of the reasons for the appearing of crowdfunding. From that chapter we can observe that the main causes for this financial revolution were:

1. The financial crisis that made Banks increase their interests rates
2. The difficulty in obtaining a high-interest loan from a Business Angel
3. The resistance to give away an equity percentage of the firm
4. The appearing of several forms of crowdsourcing (information, IT, etc.) in society

To sum up, the difficulty in having access to financing through “traditional” ways and the internet skill and assets sharing made possible and desirable the appearing of crowdfunding.

In chapter 3.2.5 there is an analysis of the future of crowdfunding, where the following trends are presented:

1. Crowdfunding is requiring specialization. This can be obtained by the creation of field-targeted platforms instead of aggregating completely different projects

in two or three websites. This fact is already taking place in the USA and other countries.

2. It is “just” a matter of time for the first equity-based crowdfunding platforms to start appearing in Portugal. This model already exists in countries that have a legal system and proper jurisdiction to embrace it.

- **TQ2 – What are the main factors that the projects studied (Acreditar and MMP) present as decisive to achieve a successful crowdfunding campaign?**

To answer this question, students need to focus on chapter 3.6, the practical analysis on “O Cabaz” project, from Acreditar and the MMP Mozambique medical missions.

From those two projects we can state that the following factors positively contributed to their crowdfunding campaign success:

1. Having a concrete mission and objective

Both Acreditar and MMP were very clear on their campaigns: they needed money to a specific action. For Acreditar, to distribute baskets to families with economic needs and for MMP to take a list of medical actions. This is a crucial factor for backers to give away their money. The purpose must be simple, concrete and communicated.

2. Fund discrimination

Usually, the first question a project supporter asks is “how are they going to use my money?” This is a completely legit question that project promoters must be aware of and answer in the simplest way they can. MMP made available, on the website, their provisional budget needs to complete their goals. Acreditar even discriminated how much it costs to buy all products that composed the basket, and, therefore, how many families and for what time they could help.

3. The network

A project may have a superb and concrete goal, a completely discriminated budget and an excellent team, but if it does not have the proper network, the campaign’s success is at risk.

Crowdfunding, as the name says, depends on the crowd to achieve funding. But the important question is how to get the attention of the crowd. People use internet everyday but only spend free time in things they feel attracted to. It is important to design an attractive campaign and then to leverage the promoters' contacts. In Acreditar's case, they used their institutional partners like BES that could reach a very high number of people. MMP, as João Sá Monteiro says, had the ability to promote their campaign through the students union of the medical school,, also reaching a big crowd.

- **TQ3 – What are the internal and external benefits of measuring social impact and how does the Expected Return methodology address them?**

In order to correctly address this question, chapter 3.4 – Impact measurement - should be taken into consideration.

From the interview with Isabel Carvalho from IES we can state that the main external benefits from measuring social impact are:

1. Ability to present results to institutional investors, gaining negotiation power.
2. Ability to promote project's results in a structured way and therefore raise support from public funds, institutions and privates.
3. Ability to raise awareness from the public, contributing to the promotion of its cause

The main internal benefits are:

1. Gains in internal efficiency from knowing performance results
2. Ability to compare results among time and other projects

Having these factors in consideration, the Expected Return methodology addresses them by:

1. Being a performance ratio that can be presented to potential investors
2. Taking into consideration the specific goal of the project
3. Taking into consideration the cost and the benefit per € invested
4. Having the ability to compare in time and among projects with the same aim
5. Taking into consideration the possibility of success (or failure) and the philanthropist contribution (or partners' contributions)

Chapter 5 – CONCLUSIONS, LIMITATIONS AND FURTHER RESEARCH

This paper aims to address the topic of the social impact of crowdfunding in Portugal, analyzing in more detail PPL and BES Crowdfunding platforms.

Crowdfunding is emerging its awareness in Portugal with a different aim from other countries like the USA. Taking into consideration the first research question, the evolution of crowdfunding in Portugal, we can conclude that, in this country, crowdfunding platforms address mainly for-profit projects like the selling of a revolutionary product or the development of a new technology. In Portugal, the cultural and social areas have been the most successful, being preferred both by project promoters and by project supporters. Together, these two categories have raised more than €100.000 in two years, only through PPL, in a total of €290.000 for all categories. This fact, alongside of the early existence of a social focused crowdfunding platform (BES Crowdfunding) proves the social orientation of Portuguese habitants.

Another conclusion provided is the emerging necessity for social ventures and individuals to measure their social impact. External factors like fundraising and internal motivations like efficiency only by themselves justify the adoption of a measurement methodology and data collection through time. If this multiple source reasons are combined with the presentation of examples of main social impact measurement like SROI or CBA, the second research question (“How do social entrepreneurs measure social impact and for what purpose?”) is addressed.

Moreover, and by analyzing in more detail the Expected Return method, we can state that this tool developed by Paul Brest and Hal Harvey in 2008 correctly serves the objectives of social measurement. It is simple, complete and comparable through time and between different projects with a comparable aim. Again, this Expected Return method combines both quantitative and qualitative data which gives projects the power to fundraise more effectively and to become internally efficient, as intended to be demonstrated in the third research question.

Crowdfunding and impact measurement are changing how philanthropists finance their social ventures. By “calling” the crowd to participate in a certain project, promoters can achieve awareness and money in an unprecedented way. However, they also have an

increased responsibility, since there are now a certain number of backers who want to assure that they fulfill their social objectives. How entrepreneurs face that question depends on its own responsibility and communication strategies.

The **main limitation of this study** was the scarce number of project promoters who responded to the study proposal. Four projects were initially contacted but only two answered. Fortunately, after explaining the aim of the study, both accepted being part of it. Another aspect to take into consideration when drawing conclusions and trends is that this is a recent field.

Future research would be very helpful in addressing BES Crowdfunding platform in more depth. It would be beneficial to understand the main reasons that lead a Bank to associate with a crowdfunding platform due to the possible cannibalization. Moreover, it would be interesting to understand how do BES Crowdfunding managers justify and present results to shareholders: what are the measurement methodologies, what the crucial indicators are and what are the current results. It would also be interesting to replicate his study in a couple of years.

On a personal note I add that the kindness and open communication with all Institutions I worked with to perform this case study made me realize this fortunate chance to address a topic which is both relevant for an academic purpose and pertinent taking in consideration my personal interest.

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7. EXHIBITS

Exhibit 1 – PPL

The screenshot shows the PPL website interface. At the top, there is a navigation bar with the PPL logo and links for 'CRIAR CONTA | INICIAR SESSAO' and 'PORTUGUES | ENGLISH'. Below this is a secondary navigation bar with links: 'APOIAR PROJECTO', 'CRIAR PROJECTO', 'COMO FUNCIONA', 'CASOS DE SUCESSO', 'QUEM SOMOS', and 'BLOG'. The main content area features a large image of a man, Frankie Chavez, sitting on a red sofa and playing a guitar. Overlaid on this image is the text 'FRANKIE CHAVEZ' and 'NOVO ALBUM DE FRANKIE CHAVEZ EM 2014. COM O APOIO DE MAIS DE 128 FAS DO PPL'. Below the image, the text 'PPL CROWDFUNDING PORTUGAL' is displayed, followed by a 'COMO FUNCIONA' section with a brief description of crowdfunding. To the right, there are four menu items: 'COMO FUNCIONA', 'CASOS DE SUCESSO', 'ANGARIAR APOIOS', and 'ESTATISTICAS'. The bottom section is titled 'PROJECTOS EM DESTAQUE' and features three project cards: 'Lisã Tamiris - Coleção de moda 2014', 'Um Bigode Clássico pela Maratona da Saúde', and 'Fruta Feia'.

criar conta | iniciar sessão PORTUGUES | ENGLISH

APOIAR PROJECTO CRIAR PROJECTO COMO FUNCIONA CASOS DE SUCESSO QUEM SOMOS BLOG

FRANKIE CHAVEZ
NOVO ALBUM DE FRANKIE CHAVEZ EM 2014. COM O APOIO DE MAIS DE 128 FAS DO PPL

PPL CROWDFUNDING PORTUGAL

COMO FUNCIONA
Crowdfunding (ou financiamento colaborativo) é uma forma simples e transparente de angariação de fundos para um projecto através de uma comunidade online que partilha os mesmos interesses. PPL é uma plataforma que permite reunir essa rede de promotores e os seus apoiantes.

COMO FUNCIONA
CASOS DE SUCESSO
ANGARIAR APOIOS
ESTATISTICAS

PROJECTOS EM DESTAQUE

Lisã Tamiris - Coleção de moda 2014

Um Bigode Clássico pela Maratona da Saúde

Fruta Feia

Exhibit 2 – BES Crowdfunding

The screenshot shows the homepage of the BES Crowdfunding website. At the top left is the logo "BESCROWDFUNDING". To the right is a login section with the text "Utilizador ou email *Senha *", a "Connect" button with a Facebook icon, and an "Entrar" button. Below the login section are links for "Criar uma nova conta" and "Pedir uma nova senha". A navigation menu includes "APOIAR PROJETO", "CRIAR PROJETO", "COMO FUNCIONA", "CASOS DE SUCESSO", and "CONTATOS". The main banner features a woman in a dark jacket and jeans looking at a tablet, surrounded by a large graphic of many green handprints. To the right of the woman, the text reads: "DÁ ASAS A QUEM PRECISA. A solidariedade passa pelas nossas mãos."

PROJETOS EM DESTAQUE

EQUIPAR A RE-FOOD SÃO SEBASTIÃO COM 6 FRIGORÍFICOS



A Re-food é um movimento 100% voluntário que pretende acabar com o desperdício dos alimentos preparados e com a fome nos bairros urbanos reforçando os laços comunitários locais...

[Ver projeto >](#)

ESTÍMULOS RAROS



O projeto "Estímulos Raros" visa a criação de uma sala de Sinozele.

[Ver projeto >](#)

CD SOLIDÁRIO – MÚSICA NOS HOSPITAIS



Saudações Musicais!!! Acreditamos que a música pode realmente criar mudanças nos ambientes, nas pessoas e nas relações. A Música nos Hospitais é um projeto de música com...

[Ver projeto >](#)

Exhibit 3 – Associação Acreditar



The image shows a screenshot of the Associação Acreditar website. At the top left is the logo, which consists of three overlapping circles in blue and green, with the text 'Acreditar' and 'Associação de Pais e Amigos de Crianças com Cancro' below it. To the right of the logo is a cartoon illustration of a woman in a red headscarf holding a child in a hospital bed, and another woman and child standing nearby. Below the header is a navigation menu with five items: 'SOBRE NÓS', 'PROJECTOS', 'COMO AJUDAR', 'NOTÍCIAS', and 'MERCHANDISING'. The 'PROJECTOS' tab is highlighted. The main content area is titled 'APOIO ÀS FAMÍLIAS' and contains the following text:

A protecção de crianças e jovens portadoras de doença oncológica depende da actual legislação em vigor para crianças e jovens com deficiência (doente) e está regulamentado por várias leis. No âmbito dos Apoios Familiares Gerais existem as seguintes leis que procuram assegurar diversos apoios aos familiares de crianças.

Saiba qual o regime em que melhor se enquadra, na lista abaixo. Caso tenha qualquer dúvida, contacte-nos directamente.

- [Apoios Familiares Gerais](#)
Conheça as várias legislações que procuram assegurar diversos apoios aos familiares de crianças.
- [Apoio Familiar à Criança Hospitalizada](#)
Consulte a legislação específica relativa à hospitalização das crianças.
- [Segurança Social](#)
Conheça os regimes de protecção aplicáveis a crianças com doença oncológica: pensões, bonificação por deficiência, subsídio de funeral etc.
- [ADSE](#)
Neste documento tem acesso ao esquema de benefícios da Direcção-geral de Protecção Social aos Funcionários e Agentes da Administração Pública (ADSE) relativamente a cuidados de saúde e encargos

On the right side of the page, there is a cartoon illustration of three children in colorful clothing. Below that is a blue vertical banner with the text 'Existem várias formas de nos ajudar' at the top, the Acreditar logo in the middle, and 'Ligue já 760 50 10 60' at the bottom.

Exhibit 4 – “O Cabaz” Project

BESCROWDFUNDING

Utilizador ou email *Senha *

Connect Entrar

Criar uma nova conta. Pedir uma nova senha.

APOIAR PROJETO CRIAR PROJETO COMO FUNCIONA CASOS DE SUCESSO CONTATOS

Início · Projecto O CABAZ – Programa de Apoio Alimentar às Famílias de Crianças com Cancro

✔ Muito obrigado pelo seu contributo. Este projeto já se encontra financiado a 100% devido ao envolvimento da sociedade civil. Contudo, encontram-se ainda em aberto outros projetos a necessitarem da sua generosidade, pelo que ainda tem possibilidade de poder contribuir para outra causa através do BESCrowdfunding.

PROJECTO O CABAZ – PROGRAMA DE APOIO ALIMENTAR ÀS FAMILIAS DE CRIANÇAS COM CANCRO

INFORMAÇÃO COMENTÁRIOS 0 APOIANTES 161



Promovido por: Associação Acreditar

Objetivo: 1 440 €

Terminado a: 08/08/2013

Localização: Lisboa, Portugal

APOIAR JÁ

OBJETIVO: €1440

PROGRESSO: 162% Total

€2339 angariado | 161 apoiantes

RECOMPENSAS

Apoie com 1 € e obtenha
Declaração de agradecimento individual e personalizado a cada um dos doadores, a ser enviado por e-mail ou por correio para os próprios.

FACEBOOK

Find us on Facebook

Acreditar Like

Acreditar adicionou

Exhibit 4 – “Medicina Mais Perto” Project

MEDICINA MAIS PERTO: MOÇAMBIQUE

INFORMAÇÃO | COMENTÁRIOS (3) | APOIANTES (79)

Matola, Moçambique | Educação



VER VIDEO

Gosto Partilhar João Sá Monteiro e 870 outras pessoas gostam disto.

SOBRE O PROJECTO

O que é o Medicina Mais Perto: Moçambique?

O Medicina Mais Perto: Moçambique (MMP:MZ) é um projeto de voluntariado internacional da AEFML em parceria com associações locais moçambicanas.

O objetivo principal é levar **apoio médico-social** a uma população cujo acesso aos cuidados de saúde é, muitas vezes, barrado por dificuldades tão simples como a falta de transporte, falta de dinheiro para uma consulta ou pelo simples estereótipo face aos médicos.

Parceiros:

- Associação Voluntária das Mães e Crianças Carenciadas ([AVOMACC](#))
- Centro **DREAM of Africa** (centro de apoio ao doente HIV+)

2 724€
ANGARIADO

136% do objectivo de 2 000€
79 apoiantes
Terminado a 08/06/2013

Promovido por:
Tomás Neto da Silva

Enviar email

RECOMPENSAS

Apoie com 5€ e obtenha
Um postal de agradecimento electrónico +
Agradecimento na nossa página do facebook

Apoie com 10€ e obtenha
Fotografia dos voluntários com as crianças
durante o projeto + Agradecimentos anteriores