Crowdfunding as an Entrepreneurial Career Kick-off – Case Hello Ruby

1. Introduction

The paper is a case study of a road to entrepreneurship through international crowdfunding. Crowd funding is a recent phenomenon for especially artistic projects were a large group of supporters pay for a share or fee for somebody to finish a project. This particular case is Hello Ruby children's book explaining coding for kids in a learning by doing method and playing. Linda Liukas is a celebrity in this field in Finland and globally and the paper explains her route to becoming an entrepreneur through completing a massively successful crowdfunding and finalising the end product. The paper analyses the route to entrepreneurship as well gives suggestions and insight for other potential entrepreneurs as well as explains how crowdfunding can be used in a start up situation.

2. Crowdfunding

New ventures often need financing and other resources in order to succeed (see Gompers & Lerner 2004; Kortum & Lerner 2000; Rossi 2014). Crowdfunding is a new method for funding a variety of new ventures (see Bradford 2012). It allows individual founder(s) of for-profit, cultural, artistic, or social projects to request funding from many individuals (using the Internet) in return for future products (rewards) or equity. The size of a project seeking capital can be from a small artistic project to a larger scale operation that uses crowdfunding instead of venture capital, bank loan, friends and family, own funds or other means of financing (see Rossi 2014, 9). Crowdfunding has its roots in charity and social cooperation (Ordanini et al. 2011), microfinance (Mincer 2008) as well as crowdsourcing (especially Web2.0), ie. resource-pooling, social networking, and co-reation (Ordanini et al. 2011; Rossi 2014; Bennett 2011).

Crowdfunding as a method for finance has not been researched much (Ordanini et al. 2011; Mollick 2014; Bradford 2012). Routes to entrepreneurship have been researched widely from a variety of perspectives (personal, gender, macro-economic, history, opportunity etc. perspectives). There are a number of crowdtfunding organisations and platforms available but research on crowdfunding as a trigger for entrepreneurship is rare. However, crowdfunding can be seen as an opportunity for an individual to start an entrepreneurial career (see Mollick 2014; Shane 2000, Davidsson 1991), as a test bed for evaluating a new potential market (Bradford 2012), and as a way to market a new initiative (Ordanini et al. 2011).

The crowdfunding market is growing. In 2013 the size of the market was estimated to be USD 5,1 billion[1]. Nowadays the market is more that USD 10 billion and it is estimated to grow by 92%[2]. Kickstarter is among the biggest crowdfunding platforms. In 2014, Kickstarter generated over USD 0,5 billion from backers with 22252 projects[3]. Kickstarter's business model is such that it charges 5% of the generated crowdfunding. It uses Amazon as a partner in handling transactions and Amazon charges 3-5% of the generated crowdfunding. Kickstarter does not claim ownership of the projects nor does it guarantee the packers that the project will be finalized. Therefore, packers carry the risk of the projects they participated in (see Bradford 2012). For further information about Kickstarter, see for example Kuppuswamy & Bayus (2013).

3. Research Approach and Motivation

This case research examines crowdfunding as a route to entrepreneurship through a true and widely published Hello Ryby project. (i.e. Wired, The Guardian, Mashable, Fast Company, Techcrunch etc.). Sources of information are numerous in this research following Yin (2003): previous personal knowledge of the entrepreneur (Linda Liukas), personal interviews, numerous emails with entrepreneur, web pages, articles written about Hello Ruby and Linda Liukas, videos[4] etc. I have a personal interest in the Hello Ruby project for I have been Linda's lecturer on a few courses in the past and I have used her as a tutor and mentor in other courses. I personally participated in crowdfunding with USD50 to follow the Hello Ruby project and look forward to see the project to the end. Linda had the opportunity to read the earlier version of the paper in order to correct potential misunderstandings and to improve the reliability of the research.

4. The Entrepreneur to be

Linda Liukas is a programmer, storyteller and illustrator from Helsinki, Finland. Linda has studied business (at Turku School of Economics), design and engineering in Aalto University and product engineering in Stanford University. Linda is the founder and a leading figure of RailsGirls (see www.railsgirls.com), a global activity in teaching the basics of programming for young women globally. The RailsGirls workshops, organized in over 220 cities worldwide have during the past few years have taught over 10000 women the basics of programming. In addition, she had worked at Codeacademy (see www.codeacademy.com), a programming education

[1] http://www.forbes.com/sites/hsbc/2014/08/05/crowdfundings-untapped-potential-in-emerging-markets/

[2] http://www.crowdvalley.com/news/crowdfunding-2014-economic-facts-and-figures

[3] https://www.kickstarter.com/year/2014?ref=footer#stats-3

[4] http://www.youtube.com/watch?v=sy7V6pFtTLA&spfreload=10
http://www.youtube.com/watch?v=-AcT34zDGVw&spfreload=10

company in New York with over 24 million users globally.

Linda spent numerous hours in mastering her drawing skills (which she claims to be modest at the most). She had worked for computer companies and had an urge to help women and girls to become computer literate in a male dominant industry. She has a history in edutech and she believes that in the future programming and coding is a must for everyone, thus combining her education, experience in coding, and artistic goals for a new venture Hello Ruby. Hello Ruby represents herself as being young, girlish and interested in computers, coding, storytelling, and books. Hello Ruby is a combination of it all.

5. The Opportunity

While still working at the Codeacademy Linda started to draw Hello Ruby pictures and made short stories based on her drawings. Her experience in technology and computers, interest in children's learning and imagination, and active participation in the start-up genre[5] made her think of starting something new by herself. Linda used her close network to test Ruby stories and started to put them online for commenting (open innovation, see Chesbrough 2003).

She decided to try crowd funding to finance her children's book Hello Ruby (see www.helloruby.com). In Spring 2013, she decided that if she could raise USD 10000 she will finalise the project. She used Kickstarter as a crowdfunding platform. Once her case was presented on Kickstarter she raised her initial USD 10000 in 3,5 hours, and collected a total of USD 380000 for the project. As of today Hello Ruby is the most funded book on Kickstarter's children's book category.

6. The Experiences

As was indicated Hello Ruby attracted a massive crowdfunding. The reasons behind a major success in raising funding for Hello Ruby Linda claims to be six fold. First, the theme (programming/coding) was regarded important among the supporters. Many of the early supporters had kids of their own. Second, her personal activity globally in networking and promoting programming for young women and kids had drew attention. Third, her own skills in personal marketing. Fourth, her ability to transform Kickstarted guidebooks into supportive advertising films[6]. Fifth, her own personal involvement as a true individual (being her

[5] Linda is one of the founding members and a leading figure of Boost Turku student entrepreneuship movement and Aalto Entrepreneurial Society, AES (Helsinki). See www.boostturku.com.

[6] http://www.youtube.com/watch?v=sy7V6pFtTLA&spfreload=10

enthusiastic girl herself). And finally, her trust in keeping her head when other people were suggesting complete other avenues for finalising the project (mobile apps, VC etc.).

Hello Ruby is an example of new way of learning provision for kids. It is a hands-on method of teaching technology issues through play (together with parents) with practical and non-technology materials (paper, scissors etc.). Linda names one of the success factors the fact that Hello Ruby uses children's books as a stepping stone for the project rather than technology. Everybody has an experience on children's books.

Being open in the Internet has provided Linda/Ruby positive and negative feedback. As it is easy to provide anyone with a feedback people tend to be quite aggressive if they disagree with something written or think that they have been fooled. The Ruby book was 3 months late due to a few facts. First, the demand for it exceeded all assumptions by Linda (printing cost increased enormously). Second, when Linda realized that Ruby book will be a big hit she decided to hire a publisher with a proven track record in publishing children books and the selection of suitable one took time (and a lot of legal assistance). Third, Linda kept the project for herself and did not use assisting personnel. And finally, the target audience changed during the crowd funding from that of Linda's close network and supporters to a much wider and more heterogeneous one, which made Linda both to change the content of the book as well as make it double the size from the plans.

7. Conclusions

Crowdfunding can be a potential choice for an entrepreneurial venture. Especially so where there are less VC activity (non-technology initiatives) available. There are a lot of competing crowdfunding platforms online. The selection of the right platform is essential (depending on the potential venture). In similar projects, an identity problem might arise for potential entrepreneurs. Will they become artists or entrepreneurs? Therefore, this issue should be tackled in advance.

International networking prior to the launch for crowdfunding campaign is necessary. Additionally, marketing skills and presentation skills are needed. Potential entrepreneurs could take the advantage of existing entrepreneurial networks available to them (here Boost Turku, AES, Codeacademy, Rails Girls).

Finally, it takes courage and strong personal involvement in order to be successful in any crowdfunding campaign. As in the case of starting up a company same skills and activities need to be performed. Crowdfunding can be seen as a lean start up method being used in a bit different

way (see Ries 2011). In this case, a product (Hello Ruby) must first be sold to potential customers before the initial launch of a company (and produced as well).

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