Crowdfunding: A Threat or Opportunity for University Research Funding?

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Introduction

Universities, like many other organizations, have an insatiable need for funding. It appears that student fees, government funding, alumni support, and endowments are insufficient to fund the expectations that universities will undertake myriad research projects, knowledge dissemination, and staff and student development. Rather than depending on multi-millionaire donors or company commissions, universities may seek to package research into discrete parcels to market to enthusiastic supporters. Thus, they will require a funding platform that draws on a multitude of smaller investors/donors. Klaes (2012, p.5) notes that crowdfunding, a vehicle through which this can be achieved is a "disruptive technology of financial intermediation." However, it is unclear whether the development of a crowdfunding market will complement, supplement, or crowd-out other funding. In addition, the marketability of certain projects may crowd-out less popular projects and further reduce the viability of necessary research.

The research question addressed in this study is: does crowdfunding represent a threat or an opportunity to the continuation of more traditional research funding sources for the university sector. This paper reviews recent research in the evolution of crowdfunding, legislation governing crowdfunding, and then examines in detail the university crowdfunding sites that are used to generate funds for staff research. Crowdfunding was first launched in 2001; Gerber and Hui wrote in 2013 that there were 452 crowd-funding platforms in the U.S., channelling $1.47 billion USD. Globally, €2.2 billion was estimated to be raised by crowdfunding platforms in 2012, up 80% from €1.2 billion in 2011 and €400 million in 2009 (Massolution 2012; market interviews and research from De Buysere, Gajda, Kleverlaan, and Marom, 2012). With such rapid growth, it is not surprising that there has been a variable uptake by universities, who may have been slow to notice this phenomenon. An analysis of the Wikipedia list of 31 University and College Crowdfunding platforms showed that there were:

- Five sites in the U.S. (and one outside) that seek funding for both student-related research projects and Alumni appeals: Pitzer, Pace, Rollins, Vassar, UWE, and Research and Public Service (MIT)
- Eleven sites in the U.S. that appear to be restricted to student-related research projects and prize-funding: Arizona, Haas School of Business, Pepperdine, Texas, Maryland, CMU, Cornell, Furman, LeHigh, Middlebury, and Vermont
- Three sites outside of the U.S. that appear to be restricted to student-related research projects: Oxford Brookes, York, and Trinity College Dublin
- Twelve sites that seek funding for both staff and student-related research projects: in the U.S.: Boulder Colorado, UCLA, Boston, MIT, UCSE, UCSF, Georgia Tech, and Virginia, as well as Deakin, Alberta and Carleton (Canada), and Groningen.

The analysis in this paper describes some successful University projects that have raised research funds for staff on such sites, and then reviews the advantages and disadvantages of this funding method. This study is part of a response to the call for research from the EU, that academics could:

- Collaborate with platform providers to obtain data and benchmarking, with care and transparency,
- Collect and conduct research on data available to investors, the cost of data provision, and the value of data,
- Keep platforms honest: to offer data which is transparent and legitimate, and
- Educate our students as to the characteristics and benefits of this mode of funding (de Buysere, Gajda, Kleverlaan and Marom 2012).

Background

What is crowdfunding?

Crowdfunding is a mixture of online philanthropy and online consumer purchasing, as well as online peer production and peer-to-peer lending. A number of independent fundraising platforms have been established to facilitate the advertisement of crowdfunding opportunities and to match donors/investors with these opportunities. Some platforms only release the funds to the proposer if the target is met (Kickstarter); others permit partial funding to proceed. Few platforms have any conflict resolution service if a supporter is disappointed (Gerber and Hui 2013, p. 23). Many sites publicize their successes; for example, some outcomes from the Indiegogo site include:

- Assistance to Lakota Sioux to buy back part of their sacred land,
- $410,000 USD raised to rebuild a mosque in Joplin after it was burned down,
- $703,000 USD raised for a 68-year old bus monitor who had been verbally harassed, to be used for a holiday-of-a-lifetime, and
- Assistance to New Zealand Film Director Taika Waititi to pay for the distribution in the U.S. of his film 'Boy.'

Some observers maintain that crowdfunding, as an evolution of capital allocation, follows a similar historical development to other disruptive business models, such as PayPal, Amazon, and iTunes. Certainly its evolution is global. In response, some countries have moved to legislate the issuance and management of crowdfunding. However, the responses differ, as will be further described in this paper; for example, when the SEC introduced new rules in the U.S., there was a unique aspect to the legislation: testing the net worth of the investor before they could invest in crowdfunding equity (Aronson, 2013). Outside of the U.S., crowdfunding has been considered by other governments, from Australia (Karagiannis and Pole, 2013) to the United Kingdom, and is expanding rapidly.

In Europe, where crowdfunding is allowed although only partially regulated by securities authorities, its impact on the SME marketplace is becoming evident, according to Colgren (2014).

"As a phenomenon, it prompts us to revise our understanding of approaches to small and medium scale fundraising across most economic activity." (Klaes 2012 p. 5).

Crowdfunding may well have started on its phenomenal growth path through its popularity in the film industry. Initially fed by funding needs for films as well as computer games, books, and other creative endeavours, it was picked up by 'cause-based' campaigns. It avoids boot strapping[1] for start-ups and connects people and organizations to sources of capital that were previously out of reach. It is seen to enhance potential customer acceptance and increase awareness of new products; it also can attract a voluntary task force of supporters who may provide more insights into product development (Mitra, 2012). From the UK Crowdfunding Centre, run by The Social Foundation, we find that:

- More than £1,700 per hour is being raised through crowdfunding in the UK,
- Since the beginning of 2014, more than 2,600 equity and rewards projects have been launched, and
- More than 45 projects are being launched per day.

> "Having masses of very small stakeholders may not be for the faint hearted though, as had already been seen in non-equity crowdfunding arenas such as Kickstarter" (Shera, 2013)

How does crowdfunding differ from IPOs and when would you use it?

In two countries with crowdfunding legislation (U.S. and New Zealand), the legislation is premised on a range of assumptions that differentiate crowdfunding only slightly from traditional means of raising funds, such as IPOs.

Non-profits Causes/charities	e.g. An Indie Movie	...if product is successful	Micro-finance	may be peer-to-peer platforms	only outside North America e.g. SellaBand
Donations	Reward/Public Acknowledgment	Prepayments or pre-purchase	Interest free loans	Kickstart Loans	Equity

Exhibit 1 Crowdfunding Covers a Continuum of Investment Opportunities
Source: UK FCA Oct 2013 p. 10

However, crowdfunding differs from IPOs, as it is Internet–enabled and the fees are likely to be significantly less than an IPO, with competition between sites keeping pressure on to reduce or stabilize the fees charged by the crowdfunding sites to the entity that is raising money. In comparison to IPOs, Gelfond and Foit (2012) suggest that crowdfunding challenges the constraints of distance and traditional sources of funding originating in networks among elite business conurbations.

Crowdfunding emphasizes the digital divide (socio-economic and/or age-based) and social network endorsements may 'go viral', as crowdfunding attracts a certain type of entrepreneur: youthful, Twitter-literate, and Facebook-networked (Gelfond and Foti, 2012).

From a regulatory viewpoint, crowdfunding differs from IPOs, as its global character may easily side-step regulatory constraints (as with tax-avoidance), and therefore accreditation by platforms and proposers becomes largely voluntary. This is a serious concern, as crowdfunding is highly attractive to criminals and fraudsters. As noted by Verschoor (2012, p.15):

"Investing in newer and smaller companies involves more opportunity for fraud as well as greater inherent risk, which makes you think they should be the focus of greater regulatory oversight, not less. The JOBS Act flies in the face of this doctrine."

Particular concerns are the risk of fraud inherent in the online selling of equity shares (Mashburn, 2013). He notes that "The North American Securities Administrators Association has already identified about 200 crowdfunding website names that appear suspicious and state regulators are taking or considering taking enforcement action against "a handful of companies for allegedly exploiting online fundraising to commit fraud." (see also Eaglesham, 2013).

And yet, the U.S. legislation did not require, as did the New Zealand legislation, that platforms have a responsibility to undertake what amounts to a negative assurance of the character of the proposer.

Further, Mashburn (2013) noted that the likelihood of material misstatements in financial statements and projections was higher in startups using crowdfunding, as the entrepreneurial psychological predisposition of people using these sites making them more likely to take risks, with overly optimistic assumptions. It may depend on where in the life cycle the crowdfunding is used. Exhibit 2 shows a framework that has crowdfunding being used at the early stage of an entity's startup with more traditional sources such as venture capital, private equity, and IPOs later in the entity's life cycle.

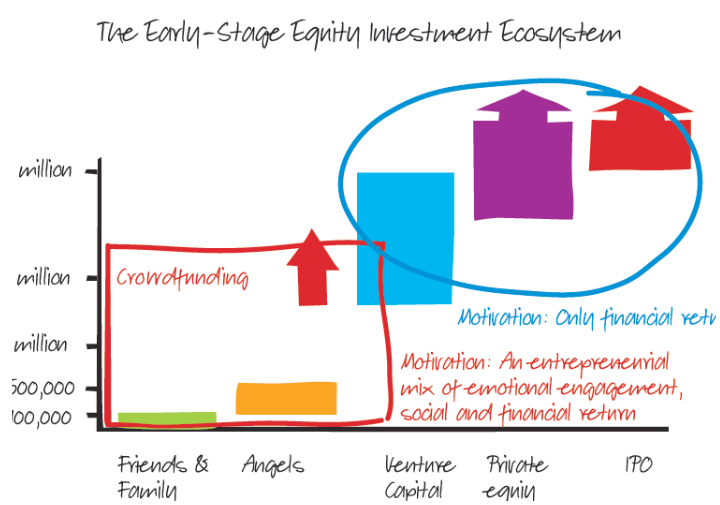

Exhibit 2 Different Funding Frameworks Depending on an Entity's Life-Cycle Stage
Source: Framework for European Crowdfunding, Kristoff De Buysere, Oliver Gajda, Ronald Kleverlaan, Dan Marom, 2012

Building on Exhibit 2, we argue that the market for crowdfunding is different from that for an IPO. Hollas (2013) noted that at least half of the firms using crowdfunding for equity purposes are in the consumer and product/service companies — which would be less than 10% of venture capital and angel investing by sector. Further, Hollas (2013) found that on the one hand, crowdfunding is not the preferred channel for high-tech start-ups and on the other hand, crowdfunders' wealth is enormous compared to the venture capital industry.

These unique factors may crowd out venture capital firms, or at least drive down their fees. A further challenge to venture capital firms is the reduction of costs in the secondary market. As noted by one expert, "Algorithms and soft/hardware technology related to 'high-frequency trading' have exploded over the last 20 years, and the primary beneficiary has been the market for existing shares and other financial instruments (the secondary market). Consequently, transaction costs on the secondary market have come down more than 90% over the last 20 years." (Peter Almberg, director and CEO of Sweden-based GXG Global Exchange Group AB and owner of Danish authorized GXG Markets A/S, cited in Colgren 2014 p. 56).

Benefits and Drawbacks of Crowdfunding

Gerber and Hui (2013) provide some insights into the benefits of crowdfunding. In particular, with respect to raising funds, they note that crowdfunding allows creators (those requesting resources) to appeal directly to potential supporters. Indeed, the success of crowdfunding is not solely about the exchange of money — it is that participants who exchange resources with the goal of wanting to learn from and connect with others (Gerber & Hui, 2013). By seeking support through a crowdfunding site, Gerber and Hui (2013) argue that creators can more easily keep control of their creation, and therefore receive greater confidence (and funding) in the uncertain environment of creative work. Further, creators and developers benefit from long-term interaction with supporters, by expanding awareness of their work, through social media and sending emails. These interactions last beyond the financial transactions themselves (Gerber and Hui, 2013). Further, Gerber and Hui (2013) note that creators will gain new fundraising skills.

With respect to donors, Gerber and Hui (2013) found that their motivations included collecting rewards, helping others, being part of a community, and supporting a 'cause.' (These motivations are atypical for those involved in IPOs.) Nevertheless, there are also deterrents to supporters: including concerns that if the target is not raised, the proposer will retain the funds and might not use them efficiently.

Gerber and Hui (2013) also documented deterrents to committing to a crowdfunding proposal. Creators must make a commitment in terms of time and resources; they risk failing to attract supporters resulting in a publicly-exposed failure, and they may hesitate to debut a product still under development, among other project-specific deterrents (Gerber and Hui, 2013). Indeed, Mashburn (2013) reported that startups using crowdfunding were more likely to fail than existing operations. This is because startups face problems meeting development schedules; one study showed that 84% of the 50 most-funded projects on Kickstart missed their target delivery dates (Study by CNN Money) and another showed that 75% delivered products other than expected, with 33% not delivering at all (E. Mollick referred to by Mashburn, 2013 p. 159).

With that in mind, an angel investor or a venture capitalist with a very specialized business focus may be preferred. In addition, angel investors are often prepared to fund the process of creation, rather than the product itself (Gerber and Hui, 2013).

Further deterrents to using crowdfunding include the many areas of intellectual property law, including trademarks, patents and copyright, that could be affected by a launch on a crowd-funding platform. As noted by Wells (2013, p. 28); "disclosure on a crowdfunding website may make copyright infringement more likely by exposing the work to a large audience while undermining the strength of the unwary copyright owner's legal remedies."

Ownership of ideas submitted though public domain is also uncertain. This is of particular relevance to the issues surrounding crowdfunding's use by universities to fund staff research.

There may also be an assumption of naiveté on the part of the founders: "Crowdfunded offerings present a new environment in which innocent but inexperienced entrepreneurs face increased risk of making a misstatement or misleading omission" (Mashburn, 2013). After the U.S. Government finished its rulemaking (the JOBS Act), equity crowdfunding allowed startups and eligible small businesses to raise up to $1 million USD over a twelve-month period by issuing equity shares to mom-and-pop retail investors through online "funding portals."

Nevertheless, Mashburn (2013) sounds a note of caution as Section 4A(c) of the JOBS Act significantly broadens the scope of communications that may trigger civil liability for issuers. Crowdfunded offerings involve "a unique blend of customer marketing and investor pitching, which is likely to open issuers to additional liability if promotional statements fall within Section 4A(c) (in the U.S.). Even if promotional statements do not fall within Section 4A(c), this environment creates a risk of triggering Rule 10b-5 liability for issuers and funding portals. As one observer notes, "It is easy to imagine the type of promotional statements that inexperienced funding portals might make that would form the basis for a 10b-5 suit" (Mashburn 2013, p. 163).The new liability provision in the JOBS Act broadens the language of Section 12(a) (2) of the Securities Act of 1933, imposes liability on the issuer and its officers and directors for false or misleading statements or omissions in any written or oral communication. "A plaintiff need only prove that an untrue statement or misleading omission occurred and that the defendant did not exercise reasonable care, even if loss causation, reliance, and scienter are not shown" (Mashburn 2013).

Research

A study outside of the research and commentary on legislation was undertaken by Cumming and Johan (2013), who analysed 144 Canadian survey responses on education, investor protection, limitations on amounts, and so forth. Their underlying question was: Is the competitive crowdfunding model one that gives rise to a race to the top or a race to the bottom? Overall, there was more support from the respondents indicating that investor demands will give rise to a 'race to the top' in crowdfunding markets. There were regional differences in this Canadian data: some evidence was also consistent with the 'race to the bottom' view "insofar as startups want fewer limits on the amount of capital that they are able to raise each year, and portals want less onerous continuous disclosure requirements and freely tradeable shares without time restrictions" (Cumming and Johan, 2013, p. 376).

The research "largely omits discussion of the problems with the new civil liability provision included in the Crowdfund Act — an express private action provision that will raise the transaction costs of crowdfunding and ensnare unwary issuers in its liability trap" (Mashburn, 2013). Truesdal and Polk (2012) also alert readers to the litigation risks for banks. They describe the regulatory pendulum as swinging towards more legislation in the last five years, but now reversing away from this trend "under the false premise this is going to create a bunch of jobs."

The objective of Mashburn's 2013 review is to identify hidden transaction costs in the Crowdfund Act, particularly the severe liability cost this provision imposes on issuers. He proposed that "the best solution to both issues is to impose scienter[2] as an element of the civil liability provision, while also awarding attorneys' fees to plaintiffs' attorneys successful on the merits at trial. This solution will decrease the up-front and hidden transaction costs for issuers and will incentivize plaintiffs' attorneys to pursue issuers that are committing fraud. Finally, this solution supports the SEC's goal of balancing securities regulations to protect investors and the integrity of the market, while keeping transaction costs low enough to maintain the utility of the market as this revolutionary experiment in startup financing takes root"(Mashburn 2013, p. 128).

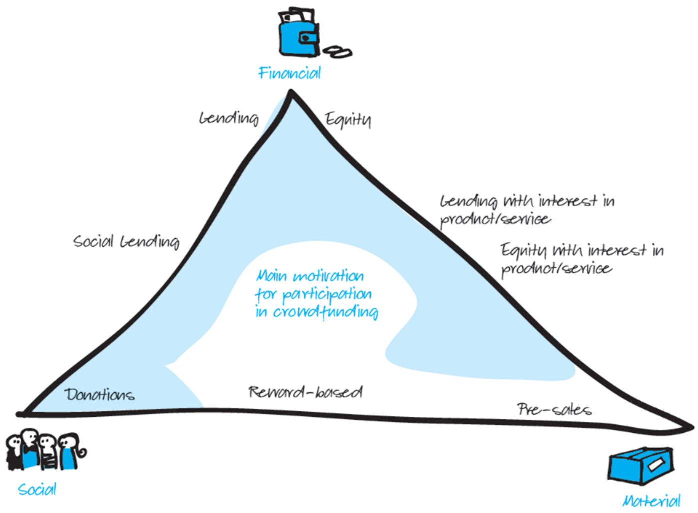

Exhibit 3 The Lending Triangle
Source: Framework for European Crowdfunding, Kristoff De Buysere, Oliver Gajda, Ronald Kleverlaan, Dan Marom, 2012

The objective of the study by Gerber and Hui (Crowdfunding: Motivations and Deterrents for Participation) is to answer the question: What motivates and deters participation? In answering this question, they provide three emergent design principles for crowdfunding platforms to inform the design of effective platforms and support tools. They do this by offering a grounded theory of motivation, based on 83 semi-structured interviews (cross-referencing to studies by Belleflamme *et al* 2010, Ward and Ramachandran 2010, Kraut and Resnick 2012, Schwienbacher and Larralde, *forthcoming)*. Also noted are Lambert and Schwienbacher (2010), who analyzed questionnaire results from 21 respondents, although only three of them had used an online platform for fundraising.

A rare case of using an intranet platform for in-house funding allocation was documented when IBM gave 511 employees funds to invest in crowdfunding within IBM (i.e., to spend on employee-initiated projects), so that IBM could better understand the phenomenon, with positive outcomes for the firm such as increased interdepartmental collaboration and alignment to their own strategies and goals (Mueller et al, 2013).

McGrail (2013) observed that crowdfunding may offer a new funding route out of chapter 11 bankruptcy if its patrons consider the applicant to be a business worth saving. It can lay the groundwork for a "soft landing" — if a small business is not under immediate pressure from its lenders, it may be able to gauge whether it can reach its targeted fund raising goal via crowd funding before filing for chapter 11.

Current Regulation

The UK 2013 Discussion Paper foreshadows the UK Government's intention to draw on the JOBS Act framework in formulating its own UK regulations. But it is only in the U.S. and New Zealand that legislation has been passed and is now being assessed by academics and the market. The JOBS Act in the U.S. is novel in that it permits equity investment and encourages equal treatment of all investors, unlike previous SEC philosophies that made a distinction between sophisticated (qualified) and unsophisticated investors (Salzsieder and Cornell, 2013, p. 23).

What is the Status of EU Regulation?

The participants of the Agorada 2011+ Conference, an international summit in Bielsko-Biala, co-authored a paper now known as *Bielsko Biala Declaration — Maximising the Opportunities offered by Crowdfunding*:

> "The declaration consists of six small paragraphs addressing the EU administration, Member States, and Regional Authorities. The declaration argues that the underlying aim of crowdfunding is to provide entrepreneurial and innovative projects the financial means to execute. Public authorities should have an interest in supporting the development of crowdfunding in order to remove barriers to entrepreneurship and to facilitate a favourable legal framework, while maintaining the minimum of professionalism and regulation. The declaration continues that crowdfunding needs to be better understood, and to this end, relevant data collection should be encouraged and data should be benchmarked. To help smooth the fragmented European market, crowdfunding should be welcomed and promoted at a European, national, and regional level" (*A framework for European crowdfunding*, De Buysere, Gajda, Kleverlaan, and Marom, 2012).

	USA (from Stemler 2013)		NZ
New Legislation	Jumpstart Our Business Startups (JOBS) Act		Financial Markets Conduct Bill
	2012		April 2014
Old regulation	Equity was classified as securities under the Securities Act of 1993		Equity was classified as securities under the Securities Act of 1978
	JOBS Act		Financial Markets Conduct Bill
Exemptions to solicitation	Regulation D now permits solicitation of a broad range of investors; also permits selling equity to an unlimited number of investors		
Exemption to registration	Can raise up to $1 million USD in 12 month period without registration		Companies can raise up to $2 million NZD per annum without issuing a prospectus
Who invests?	JOBS Act focuses on net worth of investor - those with an annual income or net worth under $100,000 can invest <$2000 or 5%		No focus on net worth of investor, but creates an obligation for the platform to operate in a fair, orderly, and transparent manner
Wealthy Investors?	Investor with an annual income or net worth over $100,000 can invest <10%		Irrelevant
Crowdfunding promoters (not the platform)	Required to make some disclosures, plus annual updates to the SEC		Obtain a Market Service License to run a 'Discretionary Investment Management Service'
Crowdfunding	Imposes civil liability for material misstatements or omissions		Crowd funder platform owners have to check - as far as one can - that the directors and managers of each promotion are of good character
Liability?	Expressly permits rescission claims by investors[3]		Enforcement regime deals with failures of platforms to adhere to Rules
Onus on platform provider	To prevent fraud and abuse, ensure investors understand risks		Put a prominent warning on the home page Link to Disclosure Statement
	Cannot offer investment advice or activity push investments		Platform cannot provide financial advice
	Cannot reward employees with commissions		
Do foreign investors fall under this regulation	Uncertain – to be clarified		

Exhibit 4 Comparison of Legislation in New Zealand and the U.S. (in summary)
Source: Stemler, 2013

EU/U.S. comparison

Crowdfunding platforms active across Europe at the beginning of 2012 can be estimated at around 200, representing all types of platforms, slightly less than in North America. Their number is expected to rise another 50% by the end of 2012 (De Buysere, Gajda, Kleverlaan, and Marom, 2012). With the U.S. JOBS act and its potentially liberating effects on the crowdfunding market in the U.S., one can expect a significant increase in crowdfunding platforms in the U.S. and a spill over effect to Europe (*ibid*).

"Comparative data is difficult to collect because of the regional nature and variation in crowdfunding business models" (De Buysere, Gajda, Kleverlaan, and Marom, 2012).

A number of large American crowdfunding platforms have already started their first ventures in Europe, hoping to establish a market presence against European platforms. In 2011, considering all types of crowdfunding, Europe raised more than €300 million, one third of the world market, through hundreds of thousands of crowdfunding campaigns. For 2012, the estimate is that €2.2 billion will be raised globally by crowdfunding platforms, up 80% from €1.2 billion in 2011 and €400 million in 2009. Again, this number reflects efforts by the various types of crowdfunding platforms. (De Buysere, Gajda, Kleverlaan, and Marom, 2012)

In Europe, the split between the different crowdfunding types shows nearly half of all activity from reward-based approaches, with fewer than one quarter for platforms from donation-based approaches, as well as equity-based approaches. Lending or debt-based approaches make up for the remainder.

In comparison, in the U.S., donation-based approaches used to dominate, while equity-based approaches reach only a symbolic percentage due to legal constraints, i.e., prior to the SEC and JOBS Act rules (De Buysere, Gajda, Kleverlaan, and Marom, 2012). The number of crowdfunding campaigns in the EU is driven by donation-based approaches, as the funding targets involved are generally much smaller than, for example, equity-based funding targets (*ibid*).

Data and Findings

We conducted a variety of Internet searches to find universities who were using crowd funding. The list we generated is by no means conclusive. However, examining twenty sites provided a useful snapshot of the manner in which universities were using it.

Summary:

- Not very much activity, and generally for small amounts
- Very few universities are using crowdfunding as a component of mainstream core research funding

Small Amounts

In a lot of university cases, the amounts are very small (In Carlton, Canada $100, $4,000, $5,000 CAD) and in the UK, examples were targeting £100, £138, and £300, for example. The projects examined had a number of interesting characteristics:

1. Social issues on campus: e.g. funding a Gay Pride week, a new trailer for a rowing club, brass band instruments, a student ball, and animal therapy to assist students in exam stress.
2. Environmental issues: planting projects, recycling led by student labor/interests.
3. Projects undertaken in the wider community: children's needs in the local community, civic engagement in high schools, customized book creation, raising IT awareness, underwear for the homeless.
4. For local business: supporting small local businesses or student-run businesses, e.g. in North Carolina, one project involved fundraising for regionally unique yeast strains for home brewers and local breweries.
5. Outreach overseas: charitable causes, e.g., child health in Africa, post natal or HIV care, a biodigester at a Kenyan orphanage.

However, there are some exceptions to the small donation paradigm. For example, crowdfunding approaches have been used very successfully to engage traditional alumni donations, when they appear on websites in the guise of the "Annual XYZ appeal." Examples include $485,000 CAD raised in "Our Giving Moment" and $33,000 CAD raised on "Giving Tuesday," both by Carleton University in Canada; see http://carleton.ca/giving.

Another example is seen in "Artificial Intelligence with Imagination" targeting €15,000 at Trinity College Dublin although it is not clear if this is a company run by two students or two alumni.

A Few Universities are Using This as a Component of Mainstream Core Research Funding

A very small number of proposals were for mainstream university staff research projects, but some which were mainstream were very well supported, e.g. 248% support for cancer research at UC San Francisco, where the fundraising was basically for a cause, rather than a specific project: "You may well help yourself or someone you love." Another example was observed at UC San Francisco for "Multiple Myeloma therapies" with a personal touch: "You or a loved one may have been touched by this disease and know first-hand the challenges patients face in fighting it." The proposals at UC San Francisco were for ongoing projects, not start-ups.

In the EU, the University of Groningen in the Netherlands stands out as showing extensive and successful use for major ongoing staff projects, mostly in medical research, but also for environmental issues: €40,000 was sought to support research of the Arctic Tern (€500 to fit a single bird with a geolocator) at the University of Groningen.

Discussion

This paper has described a few successful university projects that have raised research funds for staff on such sites, and has reviewed the advantages and disadvantages of this funding method. Advantages include the potential to break the stranglehold on research funding from hyper-bureaucratic organizations. But the downside may be that the purported democratization of research is both a dumbing-down and homogenization — a beauty pageant, where the more attractive projects will be "winners" and those who cannot position themselves to curry popular favor are losers in this particular game. The appeal of such a market-led mechanism for university research funding may, in time, lead away from government funding for the authentic assessment of the apparently unpopular but genuine projects where outcomes are either highly technical, may involve a large amount of intellectual property rights, and where the funding depends on the open minds of highly experienced and informed decision makers, not those at the other end of a computer mouse.

The research question addressed in this study is: Does crowd-funding represent a threat or opportunity to the continuation of more traditional research funding sources for the university sector, responding to calls that academics could collect and research crowdfunding, and also increase interest in educating our students on its evolution and characteristics. The use of crowdfunding methods by universities to raise material amounts of research funding is scarce. This is a somewhat surprising result, given how long crowdfunding has been around. Crowdfunding has the potential to tap into previously inaccessible funds, as many newer donors are from a generation that responds to social media and understands an Internet-based philosophy to banking activity and funding decisions. This study concludes that the Ivory Towers are alive and well, as far as research funding is concerned for all but a handful of tertiaries.

However, even as we write this review, we have no doubt that some universities will be actively packaging research into discrete parcels to commence marketing to alumni and other supporters in this manner.

It remains unclear at this point whether the development of a crowdfunding market in the tertiary sector will complement, supplement, or crowd-out more traditional patterns of funding allocations, and relationships with very large funding bodies such as the UK Economic and Social Research Council[4] and the EU European Research Council.[5] Neither of these bodies carry any reference on their sites to research on this activity, thus appearing on the funding landscape as two further Ivory Towers. We hope that other studies currently underway will shed light on the evolution and growth of crowdfunding as a distinctive and high potential funding source for core university research.

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Endnotes

1. "Bootstrap Financing — Using Your Own Money to Get Your Business Off the Ground."

2. The term *scienter* refers to a state of mind often required to hold a person legally accountable for her acts. The term may be used interchangeably with Mens Rea, which describes criminal intent, but *scienter* has a broader application because it also describes knowledge required to assign liability in many civil cases http://legal-dictionary.thefreedictionary.com.

3. Rescission: The abrogation of a contract, effective from its inception, thereby restoring the parties to the positions they would have occupied if no contract had ever been formed

4. http://www.esrc.ac.uk

5. http://erc.europa.eu

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