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Research Article

How Crowdfunding Shapes Venture, Product and Market Decisions: A Multiple Case Study of Philippine-based Microenterprises

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ABSTRACT

Microenterprises face constraints in accessing capital, markets, and entrepreneurial support systems, which limit their capacity for venture creation and growth. Crowdfunding emerged as an alternative mechanism with the potential to address these challenges; yet its role in shaping venture creation decisions remains underexplored in emerging economies. Using an exploratory, qualitative, multiple-case approach, this study examines how crowdfunding influences the venture-creation and decision-making processes of Philippine-based microentrepreneurs. Drawing on eight cases of successfully crowdfunded enterprises, the study investigates entrepreneurs' motivations for participating in crowdfunding, their experiences before, during, and after campaigns, and the critical transition points that shape venture outcomes.

Findings demonstrate that crowdfunding is a market-validation tool rather than a financial tool. While funding initially motivates participation, crowdfunding's most significant benefits are non-financial: market and consumer insight, product feedback, brand visibility, and access to broader networks. More importantly, these resources inform decisions to launch new ventures, develop new products, enter new markets, or pivot strategically, enabling low-risk market experimentation prior to full venture commitment. Building on these findings, the study refines crowdfunding entrepreneurial frameworks by extending commitment beyond new venture creation to include product- and market-level decisions, and contributes an alternative venture creation pathway for resource-constrained microenterprises.

Keywords: *Crowdfunding, Venture creation, Microenterprises, Social capital*

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Introduction

Crowdfunding is a novel method for funding new ventures, allowing individual founders of for-profit, cultural, or social projects to request funding from many individuals, often in return for future products or equity (Mollick, 2014). It provides an alternative funding strategy for entrepreneurs and microenterprises that typically have difficulty accessing traditional funding sources. Entrepreneurial success and organizational function depend on financial capacity and sustainability. Organizations require funding to maintain operations, expand services, or build up resources to develop economic resilience (Sontag-Padilla et al., 2012). Unfortunately, social enterprise, non-profit organizations (NPOs), startup businesses face financial sustainability challenges because of limited access to funding sources (Cost et al., 2009; Sontag-Padilla et al., 2012).

In one estimate, as many as 164,473 social enterprises in the Philippines constitute 17% of the 987,974 registered companies. Of these, about 70% operate as micro, small and medium-sized enterprises (MSMEs), 23% as non-government organizations, and 6% as cooperatives. Most of these enterprises remain limited in size and scale due to critical gaps in capital access, innovative financial mechanisms to unlock additional capital, social enterprise ecosystem knowledge, and social enterprise impact data (Ito & Shahnaz, 2019).

Pioneer literature contends that crowdfunding provides key non-financial benefits: consumer insight, market exposure, and a product development mechanism (Agrawal et al., 2011; Belleflame et al., 2014; Lehner et al., 2015; Mollick & Kuppaswamy, 2014). These benefits incentivize project owners not only to participate in but also and more importantly to succeed in crowdfunding (Agrawal et al., 2014).

Furthermore, crowdfunding provides an alternative venture creation process (Vergara, 2019), distinct from the traditional venture creation process (Bhave, 1994). Bhave's (1994) model describes venture creation as an "iterative, nonlinear, feedback-driven, conceptual, and physical" process that involves 7 different elements or conceptual categories, which forms part of four distinct stages: opportunity, technology set-up, organization-creation, and

exchange. Crowdfunding, on the other hand, changes the order in which stages transition, and when and how buying, selling, and investing players interact with the venture. First, it modifies the product development process, specifically who are involved and how the product is developed. Next, and more importantly, it alters the role of the consumer; they are no longer mere buyers, but are also co-producers and investors (Vergara, 2019). In essence, crowdfunding brings products closer to the market, facilitating not only purchase but also product feedback and funding for the venture. Crowdfunding provides ventures with the funding and knowledge they need to develop and produce a product that the market will buy.

The crowdfunding impact extends beyond funding to encompass overarching effects across the entire value chain, and it modifies relationships among industry stakeholders (Nucciarelli et al., 2017). Crowdfunding modifies roles of & relationships between and among industry players. Within the ecosystem, players may take on different roles. Crowdfunding platform owners may themselves become fund seekers or funders. Fund seekers may back or pledge in other crowdfunding campaigns, and funders may become fund seekers, too. This is evidenced by the experience of The Spark Project and its community (Vergara, 2019).

Established in 2013, the Spark Project is the longest-standing donations- and rewards-based crowdfunding platform based in the Philippines. To date, over 120 projects launched on The Spark Project, raising close to PhP21 million in funding from over 3000 backers. The Spark Project is a platform and community with a strategic focus on helping microentrepreneurs to raise funding and to promote their products and services. The platform has ventured into enterprise development through incubator programs, matching with grants and funding, and access to small business support services.

Nevertheless, crowdfunding awareness and adoption remain low with Philippine-based microenterprises (Doce et al., 2012; Vergara, 2015). Despite crowdfunding benefits, some ventures that have successfully crowdfunded through The Spark Project

remain in business and continue to grow years after its first campaign, benefitting not just from funding raised during the crowdfunding campaign, but also from The Spark Project's knowledge and networks.

Crowdfunding can help microenterprises address multiple challenges that limit growth and development. Many microenterprises lack access to capital and funding, markets, ecosystem knowledge of microenterprises, and networks, which are crucial in venture creation, growth, and development. Crowdfunding provides access to these critical resources, which can motivate microenterprises to participate in crowdfunding. In providing access to critical resources, crowdfunding can facilitate the creation and development of microenterprises. To understand how crowdfunding can support the creation, growth, and development of microenterprises, this study sought the following research objectives:

1. To identify the characteristics of microenterprise owners, specifically the challenges in and motivations for venture creation, that influence their decision to participate in crowdfunding.
2. To describe the crowdfunding experience of microenterprise owners and, more specifically, to identify the important transition points during and after crowdfunding that lead to venture creation, growth, and development.
3. To create a framework that encapsulates how crowdfunding facilitates the creation, growth, and development of microenterprises based in the Philippines.

This study examines how crowdfunding contributes to venture creation of microenterprises and how it can offer support. The research contributes to the venture creation literature by providing an alternative framework or mechanism for venture creation that addresses challenges and limitations faced by microenterprises.

Literature Review

Venture Creation

Interest in the study of entrepreneurship and venture creation stems from the knowledge that they are drivers of economic

growth and wealth generation (Parra et al., 2021), making entrepreneurship and venture creation literature one of the fastest-growing research areas (Cefis & Marsili, 2011; Gupta et al., 2021). Despite wide interest, extant literature lacks a universally accepted framework that fully encapsulates venture creation, including its key components, processes, and players. Perhaps this is because of the characteristics of entrepreneurship (Parra et al., 2021) or the varied perceptions entrepreneurs have of this endeavor (Kickul et al., 2009) that make it challenging to represent it explicitly through a mathematical model or through a holistic and systemic model. Nevertheless, numerous attempts have been made to describe the venture creation process and integrate crucial elements into a comprehensive and holistic framework. Table 1 summarizes the literature on the traditional venture creation process.

Gartner (1985) developed what is perhaps the most cited and most accepted venture creation paradigm because of its broad description of the venture creation process, allowing it to be applicable to all new ventures (Bhave, 1994). The Gartner model represents new venture creation in four dimensions: (1) the entrepreneur or individual, (2) the organization that is formed, (3) the environment surrounding the organization, and (4) the new venture process. It identifies six actions that entrepreneurs perform under the new venture process. The model specifies, however, that how the actions are enumerated do not imply a sequence of actions: (1) locates a business opportunity, (2) accumulates resources, (3) markets products and services, (4) produces the product, (4) builds the organization, and (5) responds to government and society.

Bhave (1994) extends the venture creation process framework by providing more nuance and organizing the dimensions identified by Gartner (1985) into a venture creation roadmap that begins with an idea for a business and culminating when the product or service reaches the market. While the Bhave model specifies that venture creation is a non-linear and iterative, it does offer a sequence of events through three stages: (1) opportunity stage, (2) technology and set up, and (3) exchange stage. These stages are demarcated by important

transition points: the commitment to venture creation and product creation. The Bhava model considers the first sale as a significant event as it vindicates the business concept and

bridges the demand and supply side. Figure 1 illustrates Bhava’s model of the traditional venture creation process.

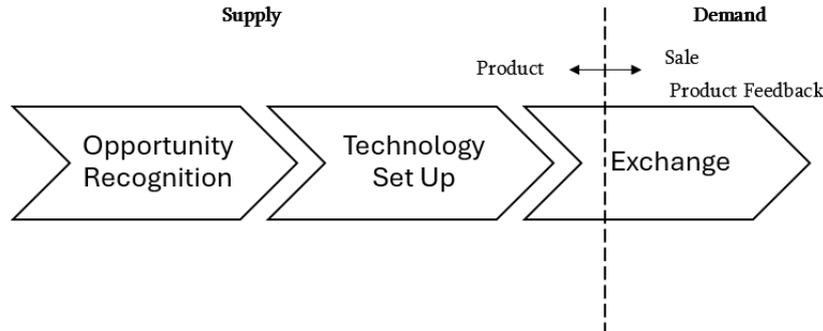


Figure 1. Traditional Venture Creation Process
Adapted from Bhava (1994)

Nevertheless, the Gartner and Bhava models remain broad, leading to later models to attempt to provide different dimensions or different perspectives to provide more nuance. For example, Perrini et al. (2010) formulated a process-based view of venture creation for social entrepreneurs. It builds off from the Bhava model’s opportunity identification stage and specifying four stages of social enterprise venture creation: (1) social entrepreneurship opportunity identification; (2) opportunity evaluation; (3) opportunity exploitation; and (4) expansion. Gordon (2012), on the other hand, describes venture creation using an input-process-output framework, whereby human and social capital are inputs that lead to two venture creation outcomes: positing that venture creation action is the fundamental mechanism that drives venture creation outcomes: establishment or failure. Parra et al. (2021) offer a different perspective and proposes a dynamic view of venture creation, whereby external factors such as human and financial resources

found within the environment surrounding ventures and influenced by government policies and actions impact the creation or failure of ventures. This paradigm, however, is less a description of the creation of a single venture and instead an illustration of the dynamics that drive the creation of ventures in an economy.

In general, there are similarities in the attempts to describe the venture creation process. Many agree on the complexity of venture creation (Gartner, 1985; Bhava, 1994; Parra et al., 2021), and yet continue to describe it in sequences of actions or stages (Bhava, 1994; Perrini et al., 2010; Gordon, 2012). Many of these studies rely on narratives from entrepreneurs (Bhava, 1994; Perrini et al., 2010), which analyzes stories systematically. The difficulty lies in the broad nature of entrepreneurship and that each entrepreneurial journey will be different and distinct, influenced by the nature of their business concepts and markets, making comparison difficult (Gartner, 1985).

Table 1. Literature Matrix of Venture Creation

| Authors | Methodology | Research Locale | General Findings |
|----------------|-------------------|-----------------|--|
| Gartner (1985) | Literature Review | n/a | There are four dimensions to new venture creation: individual, organization, environment, and venture process. New venture process involves a series of actions undertaken by an entrepreneur. |

| Authors | Methodology | Research Locale | General Findings |
|-----------------------|--|-----------------------|--|
| Bhave (1994) | Qualitative analysis of in-depth interviews of entrepreneurs | New York, USA | New venture is an iterative, nonlinear, feedback-driven, conceptual, and physical process that involves three stages of opportunity recognition, technology and organizational set-up, and exchange. The first sale is significant in validating the business concept and bridges the demand and supply sides. |
| Gordon (2012) | Panel study of venture creation using random sample of 493 nascent ventures collected as part of the Comprehensive Australian Study of Entrepreneurial Emergence | Australia | Venture creation is driven by entrepreneurial action. |
| Perrini et al. (2010) | Qualitative in-depth longitudinal analysis of social entrepreneurs | San Patrignano, Italy | There are four stages of social enterprise venture creation: (1) social entrepreneurship opportunity identification; (2) opportunity evaluation; (3) opportunity exploitation; and (4) expansion |
| Parra et al. (2021) | System dynamics model | Colombia | Entrepreneurial intention is not a static variable and changes depending on environmental factors, which impact overall venture creation and growth in an economy. |

Constructed by author

Crowdfunding and venture creation

While many frameworks acknowledge the non-linearity of venture creation (Bhave, 1994; Parra et al., 2021), they suggest that the venture creation is a process that entails, however loose, phases or stages. Crowdfunding alters the venture creation process by changing the sequence of important transition points, specifically business or product development, commitment to venture creation, and market linkage (Vergara, 2019). This supposition, however, implies that crowdfunding not only reorganizes the sequence of actions or stages in the venture creation process, but alters venture creation as it is traditionally understood. Table 2 summarizes the literature on crowdfunding and venture creation.

Crowdfunding alters the role of consumers. Crowdfunding is defined as an alternative

fundraising mechanism that allows individuals or groups to fund projects or businesses by pooling small amounts of money, typically online through a crowdfunding platform. While there are many types of crowdfunding, rewards-based crowdfunding is one of the pioneer categories and was the subject of early crowdfunding literature, many of which contend that crowdfunding alters the role of the consumer. Consumers, or crowdfunding backers in the crowdfunding paradigm, act as both investors and co-developers of products. This means that the crowdfunding backer's purview extends from the demand side and into the supply side.

A crowdfunding campaign operates as a form of product pre-selling. A fund seeker or project owner raises funds by offering a product concept in exchange for a pledge. The raised funds finance the production of the product. In

essence, crowdfunding backers are investors of the venture (Belleflamme et al., 2014; Ordanini et al., 2011).

Furthermore, as the product concept is released during the campaign period, it serves as a market pre-test (Lehner et al., 2015), allowing projects to evaluate the opportunity using market and consumer insights generated during the campaign. Crowdfunding backers are encouraged to offer comments and suggestions on the product during the campaign, essentially involving them in product development (Agrawal et al., 2014; Belleflamme et al., 2014; Lehner et al., 2015; Junge et al., 2022; Mollick & Kuppuswamy, 2014; Vergara, 2019).

Crowdfunding alters the nature of economic exchange. The traditional economic exchange involves money and products and

services exchange hands between firms and consumers. Crowdfunding alters what is exchanged and how it is exchanged. The consumer is no longer just a consumer, but also an investor (Belleflamme et al., 2014; Ordanini et al., 2011). The money exchanged is not merely revenue, but capital.

Furthermore, information is exchanged. In the traditional venture creation process, consumer feedback is exchanged almost simultaneously as the first sale of a produced product (Bhave, 1994). In crowdfunding, market and consumer insights are exchanged during the crowdfunding campaign and before the product is manufactured (Vergara, 2019). This means that crowdfunding alters the sequence of events and transition points that lead to venture creation.

Table 2. Literature Matrix of Crowdfunding and Venture Creation

| Authors | Methodology | Data | Key Findings |
|----------------------------|--|--|---|
| Agrawal et al., 2014 | Literature review | n/a | Backers as funders and sources of market information |
| Belleflamme et al., 2014 | Theoretical discussion | n/a | Backers as funders and sources of market information |
| Lehner et al., 2015 | Qualitative case study | Case selection criteria: four relevant crowdfunding campaigns in the ICT | Crowdfunding as an alternative distribution channel and pre-market test. Crowd as omnipotent source-potential |
| Junge et al., 2022 | Qualitative case study | Case selection criteria: crowdfunded startups based in Denmark | Crowdfunding as source of capital, business validation, and marketing strategy. |
| Mollick & Kuppuswamy, 2014 | Empirical study (large survey design, descriptive statistics only) | Case selection criteria: large design, technology, and video games projects in Kickstarter before mid-2012 | Crowdfunding as source of funding, customers, press, employees, and outside funders. |
| Ordanini et al., 2011 | Qualitative case study | Exploratory case selection process involving multiple steps to satisfy theoretical replication logic. Ultimately, research chose three projects from Germany, UK, and Italy. | Crowdfunding as source of funding and customer information |

| Authors | Methodology | Data | Key Findings |
|---------------|------------------------|--|--|
| Vergara, 2019 | Qualitative case study | Case selection criteria: successfully crowd-funded ventures in the Philippines | Crowdfunding modifies the following stages of the venture creation process as defined by Bhave (1994): business and product development, commitment to physical creation, and linking to market. |

Constructed by author

Figure 2 summarizes the literature tackling the traditional venture creation process and how crowdfunding alters the roles of consumers and nature of economic exchange. It also

highlights the current research gap in literature, in that there is a lack of literature exploring the crowd-funded venture creation process.

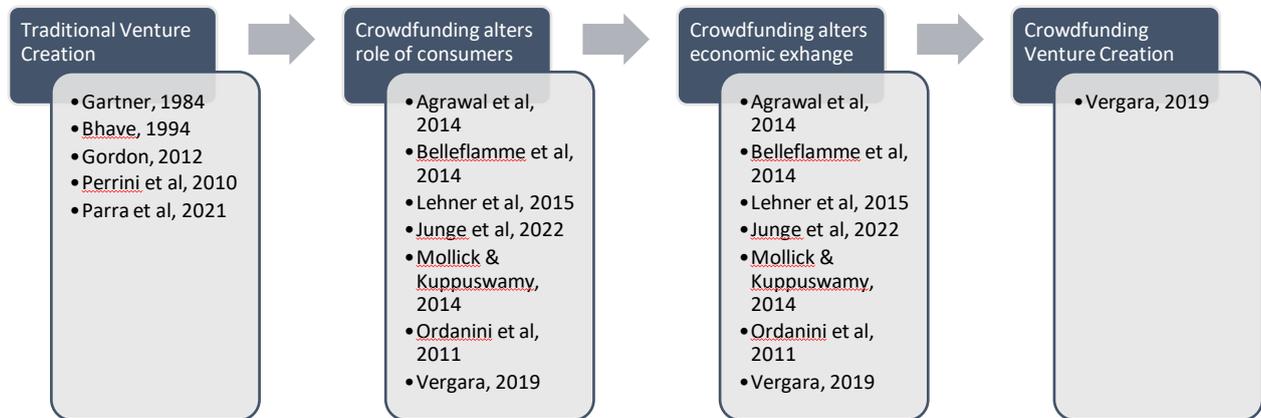


Figure 2. Literature Map
Constructed by author

Research Gap

The traditional venture creation process disadvantages microenterprises because it is predicated on initial access to funding, information, and networks for successful outcomes. Unfortunately, access to these resources poses a challenge for businesses of this type. Finding an alternative venture creation process, particularly one that affords access to key resources, becomes necessary to achieve successful outcomes for microenterprises.

Crowdfunding alters the buying, producing, and selling roles in the traditional venture creation process. It permits a more prominent role for consumers, allowing them to be product co-producers and investors. More importantly, these role alterations provide microenterprises access to crucial resources: capital and funding,

markets, microenterprise ecosystem knowledge, and networks, which are crucial in venture creation, growth, and development. These resources come from potential customers and would have remained untapped until one participates in a crowdfunding campaign. Crowdfunding allows microentrepreneurs to access these untapped yet crucial resources. Currently, hile literature suggests that crowdfunding venture creation deviates from the traditional process, there is no venture creation framework or paradigm that explains this phenomenon.

Framework

Theoretical Framework

Through crowdfunding, microentrepreneurs access resources from the “crowd,” or the

public. Funding is the initial motivation. However, crowdfunding experiences demonstrate that it provides market and consumer insight, a product development mechanism, and access to markets. These benefits come from relationships built and nurtured with those who support the campaign throughout and after the crowdfunding process. Crowdfunding essentially taps social capital. Thus, this study explores the crowdfunding venture-creation process through the lens of social capital theory. By

leveraging social capital, crowdfunding alters the traditional venture creation process, as shown in Figure 3.

1. It allows founders to conduct low-risk market experiments first before committing to a business venture.
2. It alters the product development process.
3. It also advances the linking to market, which, in the Bhava (1994) model, only occurs when the venture makes its first sale.



Figure 3. Vergara (2019) Crowdfunding Venture Creation Framework

Social capital comprises of social networks and the assets that can be obtained from it (Nahapiet & Goshal, 1998). A large social network implies a sizeable level of social capital and that a large amount of assets may be obtained from it. In the crowdfunding context, campaigns that raise funding from many backers are exposed to large social networks, and therefore, a high level of social capital. Furthermore, the role of social capital changes over time, and crowdfunding project owners are exposed to different types and dimensions of social capital through different stages of the crowdfunding process (Cai et al., 2021). For example, the early stage of crowdfunding focuses on funding accumulation and then shifts to communication during the general campaign process (Cai et al., 2021). It has been shown that crowdfunding provides access to additional funding, wider knowledge ecosystems, and broader networks (Vergara & Vergara, 2023), which typically occurs in the later stages of the campaign and even after the campaign has been completed.

Conceptual Framework

To understand how crowdfunding enables venture creation, growth, and development, this study (1) proposes a conceptual framework that outlines the crowdfunding cycle in the context of venture creation, (2) traces the

exchange of funding, information, and other assets, which result from access to and exposure to stakeholder networks in crowdfunding, and (3) investigates the decisions, actions and behaviors that define crowdfunding stakeholder dynamics that lead to venture creation.

The traditional venture creation process involves a sequence of stages, where the first sale of the product or service marks the transition from demand to supply. In crowdfunding, demand and supply stakeholders engage in the crowdfunding ecosystem. The traditional stages of venture creation occur while different assets are exchanged simultaneously within this ecosystem. In crowdfunding, potential venture owners typically promote a product prototype, which eliminates the technology set up stage. Opportunity is recognized based on backer response—a high number of pledges indicates promising market potential. Furthermore, as backers send inquiries about the product, its design, and features, they provide insights on consumer preferences. When backers provide product feedback or offer suggestions to improve design and features, they are participating in the product development process. Lastly, crowdfunding offers an alternative distribution channel for the products, allowing project owners to deliver directly to buyers.

Operational Framework

In this study, the traditional venture stages are reframed in the crowdfunding context. The constructs used are assets exchanged within the crowdfunding campaign ecosystem: consumer and market insight, product feedback,

and funding. These assets result from exposure and access to social capital from large networks through crowdfunding. In Table 3, these assets or constructs are operationalized using extant literature.

Table 3. Crowdfunding Venture Creation Constructs

| Phase | Construct | Operationalization | Literature Support |
|-------------------------|-------------------------|--|---|
| Opportunity Recognition | Consumer/Market Insight | (1) Consumer Interest If crowdfunding project owners used backer comments to gauge interest in product and/or viability of project | Agrawal et al., 2014; Belleflamme et al., 2014 |
| Product Development | Product Feedback | (1) Features Preference If crowdfunding project owners used backer comments on product design and features to develop product prototype and/or new products | Agrawal et al., 2014; Belleflamme et al., 2014 |
| Exchange | Funding | Pledge level | Agrawal et al., 2014 |

Constructed by author

Methodological Framework

Crowdfunding adoption, specifically for rewards-based crowdfunding, remains low in the Philippines (Doce et al., 2021; Vergara, 2015). Currently, there is only one Philippine-based crowdfunding platform that continues to operate, which is The Spark Project. Since their inception in 2013, only about 120 projects have been launched in the platform, a small percentage of which benefitted small ventures. Given the low adoption of crowdfunding by micro businesses and social enterprises, this study will use an exploratory research design.

It begins with data collection and analysis using qualitative research to understand the crowdfunding venture creation process from a select group of owners of micro businesses and social enterprises who crowdfunded their ventures, members of the crowdfunding platform, and campaign backers. Results will be interpreted using a case-based approach.

Methodology

Using an exploratory, qualitative, intensive, multiple-case approach, this study examines cases of Philippine-based microenterprises

that crowdfunded their ventures, using the microenterprise owner, also the crowdfunding campaign project owner, as the embedded units of analysis. The investigation focused on the following broad data collection strategies:

1. Identify the perceived benefits faced by microenterprise owners that influenced their decision to participate in crowdfunding.
2. Identify the decisions and actions of microenterprise owners before, during, and after the crowdfunding campaign that contributed to the creation of the venture.
3. Understand perceptions of microenterprise owners on crowdfunding and venture creation outcomes, on why it succeeded (or failed), and what actions, decisions, or support could have improved outcomes.

The data collection strategies address the research objectives of this study. The first data collection strategy will help identify the characteristics of microenterprise owners, specifically the challenges in and motivations for venture creation, that influence their decision to participate in crowdfunding. The second strategy describes the crowdfunding experience of

microenterprise owners and, more specifically, to identify the important transition points during and after crowdfunding that lead to venture creation, growth, and development. Finally, all three data collection strategies will assist in the creation of a framework that encapsulates how crowdfunding facilitates the creation, growth, and development of Philippine-based microenterprises.

Case selection

This study interviewed 8 key informants from The Spark Project who all consented to this research. Given the exploratory nature of this study and a small number of microenterprises that have crowdfunded their ventures, it employed a diverse case selection strategy for the following reasons, according to Seawright and Gerring (2008):

1. It provides flexibility in interpretation as it is appropriate for both exploratory and confirmatory studies. It is appropriate for exploratory studies when the focus is on understanding variations of factors, while also being appropriate for confirmatory

studies when the focus is on understanding the relationships of factors.

2. Diverse cases are likely to provide representative cases, although in a minimal sense. As this study is novel, it would be beneficial if the discussion and results focused on typical cases. However, because it is novel, it is difficult to ascertain what constitutes a typical case.

This study sought to achieve both literal and theoretical replication logic. As prescribed by Yin (2014), literal replication entails choosing at least 2 cases of each selection criterion, while theoretical replication entails choosing at least two cases that have contrasting criterion. The following criteria are the values that will determine which cases will be chosen: (1) whether venture was created before or after crowdfunding, (2) crowdfunding outcomes: fully funded or exceeded funding targets by more than 100%, and (3) which years crowdfunded: before or after 2022. Table 4 summarizes the case selection.

Table 4. Cases

| Case selection criteria | Case |
|---|--|
| Whether crowdfunding campaign was fully funded or exceeded funding target by more than 100% | Fully funded (at least 100% funded) = 6 cases Exceeded target 2-fold (at least 200% funded) = 2 cases |
| Whether venture was created before or after crowdfunding campaign | Created before campaign = 4 Created in conjunction with campaign = 3 Created after campaign = 1 |
| Whether venture is still fully operational or not during the time of study | Operational = 6 Considering sunseting venture = 2 |

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Data collection strategies

Data was gathered from multiple sources, as prescribed by Yin (2014). It involved a two-step data collection process.

The investigation began with intensive desk research, collecting secondary data from a host of information sources, such as but not limited to venture websites and social media, crowdfunding platforms, online news and magazine articles, blogs, and published interviews, to gain an understanding of the microenterprise venture creation process in the Philippine context as well as key features of cases under

investigation. Preliminary information from desk research was used to enhance the interview protocol and to ask informal follow-up questions or probes. The data was also used to triangulate information from interview responses and to provide context for interpreting them. The study estimates that relevant and context-specific secondary data published beginning in 2013, when The Spark Project was established, will be used in this study.

In this second stage, a semi-structured interview was used to generate responses from key informants from each of the selected cases.

Given the exploratory nature of the study, a semi-structured interview protocol provided a systematic guide for asking questions while allowing for probing so that the process remains open and sensitive to new information and responses deemed important to the study but go beyond what the pre-determined questions ask.

Analysis

This study employed protocol analysis. Defined, protocol analysis “involves participants verbalizing thoughts, either concurrently or retrospectively, when exposed to a stimulus. The benefit of using protocol analysis when examining consumer behavior is its introspective nature. Introspection forces participants to search their own mind to report their thoughts and feelings about a message, event, or product” (Li et al., 2001, pp. 19-20).

Protocol analysis essentially begins in the interview process, when informants are asked to “think aloud” or verbalize their thoughts, particularly the sequence of actions and decisions that occur between the introduction of a stimulus and the arrival at an outcome (Ericsson & Simon, 1980; Kuusela & Paul, 2000). This study will employ a retrospective protocol analysis, which is fitting as the study is concerned with information pertaining to outcomes (Kuusela & Paul, 2000). Two information stimuli will be used in this study. The first is the page of the crowdfunding

project, which served as an archival account of the campaign, and the second is the product that was crowdfunded and was a key factor in the venture’s creation.

Transcribed verbal responses, or interview protocols, were categorized according to decision-relevant sequences, which were then coded and categorized. These categories were content-analyzed for emergent themes, as guided by the constructs specified in the conceptual framework. The study used four analytical techniques, as prescribed by Yin (2014): (1) pattern matching, (2) explanation building, (3) logic models based on existing venture creation models identified in extant literature, and (4) cross-case analysis. Analysis began within each case and was particularly sensitive to (i.) the convergence (or divergence) of motivations of each stakeholder, and (ii.) the convergence (or divergence) of experiences of each informant. Analysis will focus on how these (i.e., i. and ii.) influence the venture creation process.

Rigor and Validity

To ensure the trustworthiness of this research, the study combined Guba and Lincoln’s (1981, 1994) quality framework with Yin’s (2014) quality design tests. Patton (2002) and Beverland and Lindgreen (2010) were also used to operationalize these quality measures. The table below summarizes the strategies that this study employed in this inquiry:

Table 5. Quality Tests of Rigor and Validity

| Quality Tests | Case Study Tactic, identified at each phase of research |
|---|--|
| Credibility (Guba & Lincoln, 1981 & 1994) | <ul style="list-style-type: none"> Data collection: The study used multiple sources of evidence and employed data triangulation (Beverland & Lindgreen, 2010; Guba & Lincoln, 1981; Patton, 2002; Yin, 2014). |
| Internal Validity (Yin, 2014) | <ul style="list-style-type: none"> Data collection: Beverland and Lindgreen (2010) and Patton (2002) suggest the use of negative cases. In this study, diverse cases were used to provide different perspectives. Data analysis: The study analyzed findings through the following analytic techniques: pattern matching, explanation building, logic modeling using the venture creation model, and cross-case analysis (Beverland & Lindgreen, 2010; Yin, 2014). |
| Transferability (Guba & Lincoln, 1981 & 1994) | <ul style="list-style-type: none"> Research design and case selection: The study employed both theoretical and literal replication (Yin, 2014). |
| External Validity (Yin, 2014) | <ul style="list-style-type: none"> Data collection, analysis and report composition: The case reports and case presentations composed of thick descriptions |

| Quality Tests | Case Study Tactic, identified at each phase of research |
|--|--|
| Dependability (Guba & Lincoln, 1981 & 1994) | <p>of cases to provide context (Guba & Lincoln, 1981) and to maintain a chain of evidence (Yin, 2014).</p> <ul style="list-style-type: none"> • Conceptual framework: Constructs used in the study are well defined and grounded in extant literature (Beverland & Lindgreen, 2010). |
| Internal Validity (Yin, 2014) | <ul style="list-style-type: none"> • Research design: Standardized interviews are used for each stakeholder (Beverland & Lindgreen, 2010). • Data collection: Recorded audio are preserved to provide an audit trail (Beverland & Lindgreen, 2010). |
| Objectivity / Authenticity (Guba & Lincoln, 1981 & 1994) | <ul style="list-style-type: none"> • Data collection: The study employed triangulation using multiple sources of data and perspectives (Beverland & Lindgreen, 2010; Patton, 2002). The study not only used multiple information resources (primary and secondary sources) but also triangulated information by using the different perspectives of each stakeholder of the venture creation process (Yin, 2014). |
| Construct Validity (Yin, 2014) | <ul style="list-style-type: none"> • Data collection and analysis: Informants were given copies of transcribed interviews and were asked to provide feedback (Beverland & Lindgreen, 2010). • Report composition: This study provided a chain of evidence (Yin, 2014) using “cross-case tables and quotes from informants.” (Beverland & Lindgreen, 2010, p. 57). |

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Findings and Discussion

Microenterprise Characteristics and Experiences

The eight key informants interviewed in this study successfully launched their crowdfunding campaign on The Spark Project between 2013, when the platform was established, and 2025. Of the eight entrepreneurial ventures, four were launched prior to The Spark Project’s shift from a crowdfunding platform to an entrepreneurial support organization, which offers a crowdfunding platform and support programs, including fellowships and incubation programs, to help microentrepreneurs. Seven informants crowdfunded tangible products, while one launched a service. All the enterprises were still operational at the time of the interviews, although two informants were considering sunsetting their ventures due to issues unrelated to crowdfunding. Table 6 sum-

marizes the characteristics, motivations, experiences, and crowdfunding and entrepreneurial outcomes of the eight cases investigated in this study.

Initial motivation: To raise funding

Raising funds was what interested key informants in trying crowdfunding. The initial motivation is to raise funding to cover the production costs. For Case 4, they were encouraged to crowdfund their product idea to raise funding to cover the research, development, and production costs of the project:

“The funding goal was going to be used to cover the logistics costs of retrieving the raw material and the research and development, because the trial-and-error process is costly.”

Table 6. Case Characteristics and Crowdfunding Experience

| Case | Year crowdfunded | Year business formalized | Crowdfunding motivations | Crowdfunding benefits realized | Entrepreneurial decisions |
|--------|------------------|--------------------------|--|---|---|
| Case 1 | 2013 | 2013 | (1) To raise funding <i>"Initial seed capital would be nice."</i> (2) To market test <i>"We wanted to concept test a product."</i> | (1) Market insight <i>"We learned a lot about our customers."</i> (2) Brand awareness <i>"It created buzz."</i> | Commit to new venture <i>"Our experience in crowdfunding is why we started the business."</i> |
| Case 2 | 2015 | 2014 | (1) To raise funding <i>"We needed funding to produce the products."</i> (2) To promote product <i>"We crowdfunded to create awareness."</i> | (1) Brand awareness <i>"It created awareness."</i> | Commit to new venture <i>"Crowdfunding was day one of our sales and marketing."</i> |
| Case 3 | 2017 | 2014 | (1) To raise funding <i>"To raise funds to help with production costs."</i> (2) To market test <i>"To introduce the brand."</i> (3) To promote product <i>"To find out how the product was hitting the market."</i> | (1) Market insight <i>"Crowdfunding helped me understand the market."</i> (2) Brand awareness <i>"It was a good way to promote a new/small brand."</i> | Commit to new product <i>"Crowdfunding definitely legitimizes it."</i> |
| Case 4 | 2022 | 2017 | (1) To raise funding <i>"Maybe we could crowdfund to fund the experiment and material development of the product."</i> | (1) Market insight <i>"We weren't expecting a lot of people would like the product. They were looking for it."</i> | Commit to new product <i>"We were able to find out what we should be doing as a business."</i> |

| Case | Year crowdfunded | Year business formalized | Crowdfunding motivations | Crowdfunding benefits realized | Entrepreneurial decisions |
|--------|------------------|--------------------------|---|---|---|
| | | | (2) To promote product <i>"We wanted to create awareness."</i> | | |
| Case 5 | 2024 | 2023 | (1) To raise funding <i>"I needed funding for the physical space of the business."</i> | (1) Market insight <i>"I understood the demand for the service better."</i> | Commit to new venture <i>"It was the push for me to put up the physical space."</i> |
| Case 6 | 2024 | 2023 | (1) To raise funding <i>"We needed funding for raw materials."</i> (2) To access broader market <i>"We needed to widen our network."</i> | (1) Brand awareness <i>"After the campaign, we started receiving orders from Manila. Others ordered in bulk to resell."</i> | Commit to new venture <i>"The campaign paved the way for more orders."</i> |
| Case 7 | 2024 | 2022 | (1) To promote product <i>"We knew people who crowdfunded and it helped create awareness for their brand."</i> | (1) Market insight <i>"We discovered a new market we didn't know."</i> (2) Brand awareness <i>"They would not have discovered us if we did not crowdfund."</i> | Commit to new venture <i>"We realized that there was a product-market fit."</i> |
| Case 8 | 2025 | 2018 | (1) To market test <i>"To see if I can break into the local retail market."</i> | (1) Market insight <i>"The local retail market is not the right market for me."</i> | Pivot to a new direction <i>"It helped me understand what I should not do in the business. It helped me refine by mission and vision."</i> |

Crowdfunding also provided access to marketing resources that many microentrepreneurs do not have access to. Case 8 shares, *“I did manage to get my products featured on television and several newspapers. We did drum up noise for the campaign.”* This exposure allowed a broader market to discover them, as was the case of Case 7, *“We were discovered through crowdfunding.”* The campaign created awareness for the brand and the entrepreneur, as was the case of Case 2, *“It created the awareness for the brand. Until now, they know that I was part of a Spark Project crowdfunding campaign.”*

Most entrepreneurs acknowledge that market information, particularly market demand and product use, helped them decide on the business direction, specifically whether to commit to launching the new business, product, or in new market, or pivoting to a different direction altogether. For Case 5, crowdfunding was the push that led the business to take the next step of committing to their own physical space:

“Crowdfunding was the push for me to commit to a physical studio. It was the push I needed to take the next step. I learned a lot.”

For others, such as Case 8, it provided crucial insight on consumer preferences that led to the conclusion that their foray into a new market will not be profitable.

“The experience was eye-opening for me. I was able to experience trying to market my product. Even though I met my goal, I wouldn’t consider the product a success. It was incredibly hard to find a market for the product. If I were to do this on a larger scale, it would be difficult to find a profitable market for my product.”

Crowdfunding provides a test run for a venture. It allows would-be microentrepreneurs to understand, within a limited period and context, how it is to create and operate a business. It equips microentrepreneurs with some resources required to launch a new venture, a new product, or in a new market while also providing the experience of doing so. Crowdfunding is a low-risk way to experiment and test things out before investing significantly in a new venture.

Updating the Crowdfunding Entrepreneurial Framework

The key feature of how crowdfunding alters the venture creation process is that it facilitates market linkage, allowing entrepreneurs to engage with potential customers and access consumer and market information even before a product is launched. In practice, microentrepreneurs sell the product idea during the campaign.

Production in an average crowdfunding campaign is typically limited—entrepreneurs only produce small quantities that correspond to how many is purchased during the campaign. Crowdfunding is a pre-order, which means almost all is sold during the campaign. Project owners use campaign pledges to estimate demand and use the funding raised to cover production costs.

Feedback received during the campaign helps entrepreneurs understand consumer interest, preference, and behavior. It allows microentrepreneurs to use feedback from the campaign to develop products, thereby contributing to product and market development. This process reduces the costs of launching a new product, in a new market, or a venture. Essentially, crowdfunding provides funding, information, and network, to equip entrepreneurs with resources crucial to take on the next step: to commit to producing the new product, launch in a new market, formalize the venture, or pivot to something else entirely.

The 2019 crowdfunding entrepreneurial framework (Vergara, 2019) identifies three key features: low-risk experimentation, product development, and linking to market. Crowdfunding helps microentrepreneurs determine the next step to venture creation: the commitment to the physical creation. Technically, this would appear to be the physical creation of a new venture. In practice, however, the commitment to the physical creation of the business can be extended to other areas, including the development of a new product or the entry into a new market. This research recognizes this finding and updates the crowdfunding venture creation process with this new information. Figure 4 illustrates this updated framework.



Figure 4. Crowdfunding Entrepreneurial Framework
Constructed by author

Conclusion

This study aimed to investigate how crowdfunding facilitates the venture creation of microenterprises in the Philippines, with particular focus on the decision-making processes of microentrepreneurs before, during, and after crowdfunding campaigns. The research examined the characteristics, challenges, and motivations of microenterprise owners who engage in crowdfunding and the crowdfunding experiences and critical transition points that shape venture-related decisions to develop a crowdfunding venture creation framework in the Philippine context.

The findings of the study show that microentrepreneurs are initially motivated to participate in crowdfunding by access to funding. They, however, realize important non-financial benefits: market and consumer insight, brand visibility, and access to broader networks. These resources are typically inaccessible to microentrepreneurs operating outside of established entrepreneurial ecosystems. These resources also help shape microentrepreneurial outcomes.

Across cases, crowdfunding functioned as a low-risk mechanism for market experimentation, enabling entrepreneurs to access product-market fit, refine product features, identify new market segments, and evaluate the viability of committing to a new venture, product, or market. Furthermore, the study shows that crowdfunding does not uniformly lead to venture continuation. In some cases, it informed strategic pivots or decisions not to scale, underscoring its role as a learning and validation mechanism rather than merely a funding tool.

Building on these findings, the study updates the existing crowdfunding entrepreneurial framework by extending the notion of commitment to physical creation beyond new venture formation to include commitments to new products and markets. This refinement better reflects the varied entrepreneurial trajectories observed in practice and highlights crowdfunding's role in advancing market linkage earlier in the venture creation process.

Future research may build on this study by conducting comparative analyses across different crowdfunding platforms or national contexts to assess the framework's generalizability. Longitudinal research tracking ventures over longer post-campaign periods may further illuminate the sustained impacts of crowdfunding on growth and survival. Finally, quantitative or mixed-methods approaches could complement case-based insights by examining how specific campaign characteristics influence entrepreneurial outcomes at scale. Collectively, such efforts would deepen understanding of crowdfunding as an alternative venture creation pathway for resource-constrained microenterprises.

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