



Enabling Online Equity Crowdfunding: Understanding the Legal Approval Process Across Four Countries

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Abstract. Affecting regulation is difficult for any firm, but it requires strenuous efforts for those operating in emerging industries. In this study, we seek to understand the complex process through which equity crowdfunding has become adopted in four Commonwealth countries following the passage of equity crowdfunding regulations in the US. We use extensive archival data to analyze how social discourse, as well as institutional environment, have made an impact on governmental regulatory decisions concerning the new model of venture finance. We find that the adoption of equity crowdfunding is a complex process shaped by firms' interactions with various interested parties, especially regulators and other relevant state actors. Based on the analysis, we propose several conditions that may increase the probability of legalization, one of which is complementarity with the goals of key stakeholders. This study contributes to the literature on equity crowdfunding, new industry emergence, as well as to a broader stream of research on policy diffusion.

Keywords: entrepreneurship, new industry emergence, equity crowdfunding, policy diffusion.

1. Introduction

Digital, platform-based crowdfunding emerged in the late 2000s, and the United States quickly became a thriving market for online fundraising: in 2012, Kickstarter – one of the significant U.S. crowdfunding platforms – received more than 2.2 million contributions totaling up to nearly \$320 million. However, the

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equity-based form of crowdfunding was initially snubbed by U.S. regulators. In June 2011, the U.S. Securities and Exchange Commission (SEC) imposed a cease-and-desist order on the creators of the BuyaBeerCompany.com website who collected more than \$200 million in pledges in return for the future ownership of the company shares. Despite the fact that the concept of Internet fundraising had already gained marked prominence among entrepreneurs and consumers, the BuyaBeerCompany.com campaign was shut down as it infringed securities regulations at that time.

As this example shows, legalization, or, in other words, acceptance of a new product or industry by key stakeholders involved in a particular market, does not necessarily happen simultaneously with legal acceptance. In regulated markets such as finance, companies also need to receive legal approval from regulators, which is a fundamentally political process dependent upon the endorsement of government actors (Funk & Hirschman, 2014; Ozcan & Gurses, 2018). In newly established markets and industry segments such as alternative energy, scholars have demonstrated that regulation has a significant impact on the process through which new products come to market and gain regulatory acceptance (Russo, 2001). For new products or industries, which are yet to gain “the right to be taken for granted” (Aldrich & Fiol, 1994, p. 653), overcoming those regulatory hurdles is a process fraught with problems.

Scholars interested in the legalization of emerging industries have addressed the issue of regulatory change from multiple theoretical standpoints such as social movement perspective (Lounsbury, Ventresca, & Hirsch, 2003; Pacheco, York, & Hargrave, 2014; Sine & Lee, 2009) and corporate political strategy (Bonardi, Hillman, & Keim, 2005; Bonardi, Holburn, & Bergh, 2006; Hansen & Mitchell, 2000). Despite wide variance in the approaches these authors have taken, we find some common patterns in the literature. Generally, government agencies are treated as “... indistinguishable and static, and focused on reinforcing existing policies for institutional maintenance purposes” (Ozcan & Gurses, 2018, p. 1793). It is oftentimes assumed that all government actors, such as politicians and regulators, will be in agreement, which is not always the case (Ozcan & Gurses, 2018). Consequently, as state actors have been considered to be rather homogeneous and reactive, scholars addressed the role of external factors in securing regulatory support such as pressure exerted by social movement organizations or industry associations (Pacheco et al., 2014). Very few scholars have examined the legalization as an endogenous process (Georgallis, Dowell, & Durand, 2019), or, in other words, as the outcome of “... firms’ interaction with various category audiences, with particular attention to the perspectives and actions of regulators and other relevant state actors” (Ozcan & Gurses, 2018). In line with the literature on categories (Durand & Paoletta, 2013; Navis & Glynn, 2010; Paoletta & Durand, 2016), we view regulators and politicians as audiences that pursue their goals and respond to emergent categories according to their preferences. However, government actors do not come to a judgment in a

vacuum; their interpretations result from interactions with key stakeholders such as incumbent firms, new market entrants, and consumers (Uzunca, Rigtering, & Ozcan, 2018).

Another important aspect of legalization is the diffusion of legal innovations from other countries, which are perceived to be more advanced. Governments have been shown to learn from experiences of “other states that have dealt with similar problems, and their leadership may draw on successful “alters” (Weber, Davis, & Lounsbury, 2009, p. 1323). Governments should perceive another country as its peer for the diffusion to take place. In many cases, states aim to adopt similar policies or regulations that were already implemented by their more successful rivals.

In this study, we analyze the adoption of equity crowdfunding regulations in the UK, Canada, Australia, and New Zealand. To better understand the legalization processes and analyze the mechanism of diffusion, we draw both on new industry emergence and legalization literature as well as on the studies of policy diffusion.

Because we are theoretically interested in social discourse and the dynamics of multistakeholder engagement, we conducted a qualitative study. Based on archival data including 311 news articles, more than 1350 pages of government documents, and supplementary data from such sources as Global Entrepreneurship Monitor, the World Bank’s Doing Business Report, and CB Insights², we uncovered how the four aforementioned Commonwealth countries responded to the passage of the Jumpstart Our Business Startups (JOBS) Act in the United States.³

The findings reveal that while the 2008-2009 economic downturns and the reduction in the supply of new venture funding created an opportunity for such innovations as crowdfunding, these countries’ politicians have responded to its emergence differently. In particular, their policies were affected by governments’ perceptions of the role played by entrepreneurship in boosting national competitiveness, as well as by the pressure exerted by politically active industry associations and other high-profile institutional actors such as ministers and members of parliament. We also outline other factors contributing to the overall government stance on equity crowdfunding, including levels of institutionalization and competition in the field of entrepreneurial finance, overall institutional and infrastructure quality, and government policy towards the sharing economy. Altogether, the findings unveil that the diffusion of equity crowdfunding regulations has been a highly political, multi-actor process contingent upon the congruency of crowdfunding with policymakers’ and other

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2. CB Insights is a proprietary platform that provides extensive data on venture capital, startups and new deals.
 3. In general, the JOBS Act was planned to significantly increase access to funding for small businesses. More specifically, a part of the JOBS Act aimed to make raising capital on equity crowdfunding platforms legal in the U.S. (Cummings, Rawhouser, Vismara, & Hamilton, 2019).

stakeholders' goals and "theories of value" (Georgallis et al., 2019), as well as nationwide socioeconomic dynamics.

The set-up of this paper is as follows. Section 2 includes an overview of the literature on regulation and industry emergence. Sections 3 – 7 describe the methodology, data, findings, conclusions, and contributions, respectively.

2. Literature Review on Regulation and Industry Emergence

In this literature review section, we characterize studies analyzing the impact of regulations and government policies on emerging industries according to the attributed impetus of regulatory change. These are social movements and NGOs, lobbying and industry associations, as well as direct regulatory intervention. Additionally, we depict an emerging, audience-based view, which synthesizes findings of the above-mentioned approaches along with recent studies on the cognitive categorization process (Georgallis et al., 2019; Ozcan & Gurses, 2018; Paoletta & Durand, 2016). Lastly, we provide an overview of the studies of policy diffusion, which are frequently used to study the adoption of new policies and regulations across the globe (Henisz, Zelner, & Guillén, 2005; Simmons, Dobbin, & Garrett, 2006; Simmons & Elkins, 2004)

2.1. Social Movements

Emergent industries are characterized by a smaller number of organizations, some degree of categorical ambiguity, low legitimacy, and unsettled power dynamics (Aldrich & Fiol, 1994). A newly formed group of firms most likely has not yet established favorable relations with government actors and does not possess enough resources to engage in lobbying.

However, companies operating in emerging industries may be endorsed by grassroots or society-wide campaigns if a new industry targets an issue of public interest and is framed as a solution to societal problems. If an issue is perceived as salient and a campaign is successful, then social movement backing may eventually change the institutional environment in favor of emerging categories, and enable regulatory support from policymakers (Davis, McAdam, Scott, & Zald, 2005; Hargrave & Van De Ven, 2006; Pacheco et al., 2014). Large scale coalitions such as the environmental movement in the U.S. have spawned new industries, underpinned their political and legal infrastructures, and encouraged entrepreneurship in new sectors (Sine & Lee, 2009). Social movements may also have a more indirect effect on regulatory change. For example, the grassroots movement for recycling has facilitated the ascension of a for-profit recycling industry by transforming general public socio-economic practices, and, ultimately, shaping related policies (Lounsbury et al., 2003). In a similar vein, the

temperance campaign delegitimized alcohol consumption and catalyzed the Prohibition in the United States at the beginning of the twentieth century. These social changes created a demand for alternative beverages resulting in the rise of the soft drink industry (Hiatt, Sine, & Tolbert, 2009). Thus, social activism is instrumental in mobilizing support for emerging industries and market categories, which tackle burning social issues.

2.2. Industry Action and Lobbying

While nascent firms often need to rely on support from civil society organizations, companies in more established industries possess the necessary power and resources “to seek new or to maintain existing policies that affect their current business operations or future opportunities” (Bonardi et al., 2005, p. 397). Companies allocate vast resources and effort to impact the regulatory environment of their industries through lobbying and direct financial contributions (Choi, Jia, & Lu, 2015; Jia, 2014). In doing so, they often mobilize various groups such as industry associations that exert pressure on regulators. Organic food producers, for instance, relied on standard-based certification organizations to bring about changes in U.S. state laws (Lee, 2009). In another case, genetically modified food (GMO) producers enlisted support from powerful farm associations and government agencies to obtain GMO approval from the United States Department of Agriculture (Hiatt & Park, 2013). Firms may also form political associations to influence the repeal or enactment of laws against rival market categories (Ingram & Rao, 2004). Overall, in order to affect regulatory regimes, firms resort to a broad spectrum of political strategies and tactics such as lobbying, engaging with interest groups, and constituency building (Hillman & Hitt, 1999; Shaffer, 1995).

2.3. Regulatory Interventions

Whereas the previously described line of thought emphasized a crucial role of companies in regulatory change, regulators can also act “exogenously to intervene and create industries” (Georgallis et al., 2019, p. 528). Government intervention may positively impact organizational founding rates in emerging industries by designing policies that would ultimately reduce risks for new entrants (Russo, 2001; Sine, Haveman, & Tolbert, 2005). Additionally, governments may facilitate the emergence of new categories by adopting new general policies that are not directly related to the industry in question. For example, the Chinese government's focus on sustainable development was instrumental in preserving the socially responsible investing (SRI) niche in China (Yan & Ferraro, 2016), while changes in competition rules helped shape the early

railroad industry in Massachusetts (Dobbin & Dowd, 1997). Dramatic changes in government regulations can also cause shifts in existing organizational domains and top management team composition, and in extreme cases, a complete disruption of an industry (Haveman, Russo, & Meyer, 2001; Wade, Swaminathan, & Saxon, 1998). All in all, this research stream has portrayed regulations and policies as determined externally. Moreover, regulators and other government actors sometimes “exogenously pick an industry to support because it is consistent with their goals” (Georgallis et al., 2019, p. 528).

2.4. Audience-Based Approach

Category research is an established theoretical approach for studying how market and political stakeholders or, in other words, audiences react to industry changes (Georgallis et al., 2019; Vergne & Wry, 2014). To gain the support of any market audience, new categories must demonstrate congruency with their theories of value (Paolella & Durand, 2016). Audiences or stakeholder groups may comprise consumers, government agencies, investors, and civil society organizations (Hsu, Hannan, & Koçak, 2009). Regulatory categories may be remarkably different from market categories because broader audiences may alter their preferences rapidly. In contrast, regulatory categories tend to remain on the books for an extended period even if their taken-for-granted status is being questioned (Funk & Hirschman, 2014). Additionally, regulatory categorization has been shown to “differ from product categorization through the asymmetrical power structure among different regulatory category audiences due to the critical role of state actors” (Ozcan & Gurses, 2018, p. 1791) such as regulators. While regulators wield enormous power in their respective industries, their legitimacy also depends on the opinion of other government actors, interest groups as well as, to some extent, the general public (Bonardi et al., 2006). For example, companies may appeal to public opinion and elected politicians in order to revise regulation in their favor. In some other cases, as a new industry grows in prominence, government actors gradually recognize the need for the regulatory change and reach with legislative action (Georgallis et al., 2019).

Overall, regulatory categorization or legalization has been viewed in the literature as a highly political, multistakeholder process the outcome of which is shaped by the dialogue, or, sometimes, a contest, between regulators and regulated firms, but also involves other category audiences (Ozcan & Gurses, 2018).

2.5. Diffusion

The normative pressure exerted on peer social groups by more prominent social actors and resulting in isomorphic changes is one of the cornerstones of institutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Studies have looked at the isomorphic processes within organizations, industries as well as at the cross-national level (Guler, Guillén, & Macpherson, 2002; Haveman, 1993; Honig & Karlsson, 2004). A smaller body of research within this literature has analyzed the role of global institutional pressure in policy adoption (Simmons et al., 2006; Weber et al., 2009). Scholars have documented the global diffusion processes of numerous policies and institutions ranging from public stock exchanges and central bank independence to more general policies focused on environmental protection (Polillo & Guillén, 2005; Simmons & Elkins, 2004; Weber et al., 2009). The imitation may happen for a variety of reasons, but one of its prerequisites is “equivalence in networks” (Burt, 1987) between two actors. The peer relationship may result from geographical proximity as well as from extensive trade and diplomatic relationships, shared historical heritage, as well as similar legal systems (Guler et al., 2002; Weber et al., 2009). These shared structural positions set a particular “competitive frame of reference” (Burt, 1987), which causes governments “to be tuned to peers’ job performance” (Guler et al., 2002).

Scholars have observed multiple mechanisms by which international policies may diffuse such as coercion, competition, learning, and emulation (Simmons et al., 2006; Weber et al., 2009). Among these, learning and competition are especially helpful for studying policies related to emerging innovations, which have not fully gained a normatively appropriate status yet (Elert & Henrekson, 2017) such as equity crowdfunding. The competition mechanism has been described in the literature as adopting a policy to gain “advantage relative to competitors, or to avoid a disadvantage” (Weber et al., 2009, p. 1324). While the competition oftentimes implies a mechanical adaptation of the innovation implemented by the peers, the learning mechanism of diffusion emphasizes adaptive learning. That is, governments engaged in learning draw on both successful and unsuccessful experiences of their peers. While it is difficult to define a clear-cut difference between the competition and learning diffusion mechanisms, due to its emphasis on adaptive learning, the learning approach has been shown to be most successful in the adoption of new policies and regulations (ibid.).

In this study, we draw both from the literature on industry emergence and policy-making as well as from the studies of policy diffusion to investigate the legalization of equity crowdfunding across four Commonwealth countries – the United Kingdom, Australia, Canada, and New Zealand.

3. Methods

3.1. Case Selection

We wanted to study how the passage of the JOBS Act in the United States influenced the legalization of equity crowdfunding in other countries. The evidence from multiple cases is usually more robust because it allows a researcher to replicate results across cases or predict contrasting results based on a theory. The replication principle of multiple case studies is based on the same logic as multiple experiments (Yin, 2009)

We chose four Commonwealth countries as the sample: The United Kingdom, Canada, Australia, and New Zealand. We have selected this sample based on the principles of theoretical sampling (*ibid.*). In short, these countries provide a fertile ground for studying the diffusion of legal innovations originating in the United States. The reasons for the theoretical relevance of our selection are the following. The diffusion literature stipulates that in order for a policy diffusion to happen, the government of a country in question should perceive another country where innovation originates as its peer or competitor (Weber et al., 2009). Countries are more likely to be in each other's "competitive frame of reference" if they possess strong network ties as indicated by extensive diplomatic relationships, trade ties, close intergovernmental cooperation, shared historical and cultural background, and geographical proximity (Guler et al., 2002; Weber et al., 2009), which holds for our sample. .

In addition to the factors described as well as common legal traditions and language, the United Kingdom, Canada, Australia, and New Zealand countries are also early adopters of other entrepreneurship-related innovations originating in the U.S. such as venture capital (Black & Gilson, 1998; Lerner, 2010; Lockett & Wright, 2002), academic entrepreneurship (Grimaldi, Kenney, Siegel, & Wright, 2011; Mowery & Sampat, 2004), and entrepreneurship education (Kuratko, 2005; Matlay, 2008; Matlay & Carey, 2007). Because other U.S.-originating innovations focused on the promotion of entrepreneurship have been enthusiastically received by the sample countries, it is reasonable to expect that the passage of the JOBS Act would naturally draw a very positive reaction. Yet, as we will demonstrate later, the diffusion process was more complex than originally envisaged due to the variation in institutional environments as well as different preferences of politicians and other stakeholders.

As we were interested in how the legalization of crowdfunding was discussed and negotiated in public spheres, we began the analysis with newspapers. More specifically, we selected the most widely circulated and respected national and regional newspapers in each of the four countries. To ensure that the coverage of crowdfunding from these sources was comprehensive, we conducted a systematic search of articles published between 2011 and 2014 using LexisNexis and

Europresse. These dates were chosen because the U.S. discussion on equity crowdfunding started in late 2010, and the JOBS Act was passed in 2012, so we wanted to study the articles that followed these events. We analyzed the subsets of newspapers and online news agencies using the word “crowdfunding” both as the search and index term. We found that UK sources provided the most extensive coverage (130 articles), followed by Canadian (61 articles), Australian (65 articles), and New Zealand (55 articles) sources. Additionally, we also analyzed government documents pertaining to the legalization of crowdfunding such as regulatory consultation papers, responses of interested parties to the proposed regulation on crowdfunding and transcripts of parliamentary hearings.

We triangulated the findings from newspapers and government documents against the supplementary macroeconomic data such as GEM Global Entrepreneurship Monitor statistics, the World Bank Doing Business Report, CB Insights, and other sources on the government policy on entrepreneurship. Please refer to Tables 1, 2, and 3 for an overview of the sources we used.

Table 1. Overview of newspaper articles

Country	Timeframe	Newspapers/news websites	
		Newspaper titles	Number of articles
UK	2011-2014	Guardian, Observer, Daily Telegraph, Independent, Financial Times	130
Canada	2011-2014	Toronto Star, The Vancouver Sun, National Post, The Globe and Mail, The Gazette, The Calgary Herald, Ottawa Citizen, The Leader Post, CBC	61
Australia	2011-2014	The Sydney Morning Herald, The Age, The Australian, ABC, The Australian Financial Review	65
New Zealand	2011-2014	The New Zealand Herald, National Business Review, The Dominion Post, The Press	55

Table 2. Overview of government documents

Country	Government materials pertinent to the regulatory reform	Number of pages
United Kingdom	Transcripts of Parliamentary Debates (Hansard) on equity crowdfunding; FCA (Financial Conduct Authority), a Policy Statement, and a Consultation Paper on crowdfunding.	242
Australia	Transcripts of Parliamentary Debates (Hansard) on equity crowdfunding; Submission of different parties (e.g., The Australian Securities Exchange, investors, crowdfunding advisors) in relation to CAMAC’s Discussion Paper on Crowd Sourced Equity Funding (The Corporations and Markets Advisory Committee).	368
Canada	Submissions regarding CSA Notice 45-311 that includes crowdfunding provisions (all jurisdictions except Ontario); Submissions to Ontario Securities Commission Consultation “Consideration for New Capital Raising Prospectus Exemptions”.	669
New Zealand	Transcripts of Parliamentary Debates (Hansard) on equity crowdfunding; 2014/2015 Report of The House of Representatives Commerce Committee; New Zealand VC and BA associations submission regarding Financial Markets Conduct Bill Exemptions.	79

Table 3. Country-level data

Source of data	Indicators used
Global Entrepreneurship Monitor (GEM) - Entrepreneurial framework conditions	<ul style="list-style-type: none"> - Financing for Entrepreneurs - Government support and policies - Taxes and bureaucracy - Governmental Programs - Internal Market Openness
Global Entrepreneurship Monitor (GEM) - Entrepreneurial Behavior and Attitudes	<ul style="list-style-type: none"> - Total Early-Stage Entrepreneurial Activity - Entrepreneurial Intentions - High Status To Successful Entrepreneurs - Perceived Opportunities - Perceived Capabilities - Financial Market Development
Global Entrepreneurship Monitor (GEM) Adult Population Survey	<ul style="list-style-type: none"> - Informal Investors Rate - Nascent Entrepreneurship Rate - Media Attention for Entrepreneurship
WEF Global Competitiveness Index	<ul style="list-style-type: none"> - Venture Capital Availability - Country capacity to retain talent - Country capacity to attract talent - Financing through local equity market - Nature of competitive advantage
World Bank, Bureau of Labor Statistics (U.S.)	- Number of businesses registered
CB Insights	- Statistics on venture capital funding
Statista	- Statistics on venture capital funding

Altogether, the newspaper articles, government documents, and country-level supplementary statistics provided a detailed account of the legalization of equity crowdfunding, themes prevailing in the media, and political discourses on crowdfunding as well an overview of the macroeconomic context in the United Kingdom, Canada, Australia, and New Zealand. These materials contained the essential arguments used by the proponents and opponents of equity crowdfunding. Thus, these data present a rare opportunity to study how equity crowdfunding was legalized and institutionalized in multiple countries, and how these countries responded to the much-publicized JOBS Act in the United States.

4. Data Analysis and Initial Findings

In order to reveal the issues present in the public debate on crowdfunding, the text data were analyzed using qualitative interpretative methods (Corbin & Strauss, 2008; Gioia, Corley, & Hamilton, 2013; Leitch, Hill, & Harrison, 2010). Since in a previous study (Iurchenko & Petty, 2018) we analyzed the discourse surrounding the JOBS Act campaign, it was unrealistic not to expect certain common themes. However, we adapted the coding scheme as we progressed, since interpretive epistemology encourages emerging and more nuanced understanding. With regard to newly uncovered themes, we used “open coding” to establish initial categories (Corbin & Strauss, 2008), which involves simple descriptive coding followed by axial coding where researchers look for relations among these categories and assemble them in a higher order (Corley & Gioia, 2004). Developing the framework involved constant comparisons between the codes, which resulted in new codes being created, or original codes being divided, combined and abolished.

The original text was copied word for word, with the transcripts ranging from short excerpts to complete paragraphs. We kept track of the authorship of a message (e.g., a journalist, an investor, or a politician) to identify the prominent participants in the debate. Most of the coded blocks of the text had sufficient pertinent information, which could be grouped into one category and some of the sections contained several themes or messages that required more than one category. The iterative process of analysis continued until further examination gave no further insight which marked the point of theoretical saturation (Corbin & Strauss, 2008).

We have made every effort to assure the “trustworthiness” of the coding (Lincoln & Guba, 1985). The data were stored and managed using NVivo to preserve each passage of text, code, and other relevant information. In various phases of the analysis, we used peer debriefing and talked with several researchers not directly involved in the study about the initial categories and the emerging coding frame and requested critical questions concerning data collection and analysis methods to gain an outsider’s perspective (Corley & Gioia, 2004).

4.1. Country-Level Characteristics

In 2007-2008, the supply of capital from venture capitalists for entrepreneurs was significantly reduced around the globe. In some countries representing the sample, the value of venture capital investment diminished very substantially. For example, in 2009 the amount of venture capital in the UK decreased to one-third of that in 2007. Australian startups received only 23 million dollars in funding as compared to 169 million in 2009. In Canada, the funding trend was somewhat

inconclusive as the number of deals has steadily increased since 2003 only facing a slight pullback in 2008. New Zealand, in turn, had not attracted much funding for entrepreneurial ventures before 2007 but was strongly affected by the 2008 crisis as well.

In addition to the actual funding gap, there was also a perceived crisis captured in the *Global Entrepreneurship Monitor* studies. Between 2008 and 2010, all four countries faced a downward trend in “Venture capital availability” and “Financing through Local Equity Market” and the UK scored the lowest. However, both perceived and actual entrepreneurial activity did not decrease during the crisis as evidenced by a more or less constant rate of new business creation and the GEM indicator “Total Early-stage Entrepreneurial Activity”. Thus, the economic downturn did not reduce the willingness to start a business, and all the countries represented in the sample had business-friendly and transparent institutional environments. However, in the UK, Australia, and New Zealand there was not enough available capital. Thus, an opportunity for a new early-stage source of financing arose.

4.2. The Course of Reform in the Countries

In this section, we will characterize the processes that have led to the legalization of equity crowdfunding in the United Kingdom, Australia, Canada, and New Zealand. Generally speaking, we find that the process of legalization of equity crowdfunding included parliamentary hearings, public consultations with various stakeholders such as industry associations, legal experts, and investors, ultimately leading to regulatory change. While we found that in all of the countries the legalization involved similar stakeholders, the process evolved according to the priorities and interests of politicians as well as depending on their understanding of the role of entrepreneurship in boosting national competitiveness.

Tables 4 and 5 describe the main events related to the process of regulatory acceptance of equity crowdfunding. The legalization process as well as the social discourse surrounding the legalization of equity crowdfunding was initiated in the United States. However, the United Kingdom was the first country in our study to legally accept fundraising activity on equity crowdfunding platforms.

Table 4. Overview of main events during the legal acceptance process

Date	United Kingdom	Canada	Australia	New Zealand
2011	Crowdcube was established as one of the first equity crowdfunding platforms in the world.			Financial Markets Conduct Bill was introduced to New Zealand's Parliament.
2012	Seedrs was established as one of the first equity crowdfunding platforms and received approval from the regulator.	Ontario provincial security regulators initiate consultations with various stakeholders on "Crowdfunding exemption".	First discussions held in the Australian Parliament with regard to crowdfunding. Regulatory changes are not proposed.	Financial Markets Conduct (including equity crowdfunding) regulations are reviewed by different government agencies and external stakeholders.
2013	Crowdcube received regulatory approval from the regulator. Consultations with various stakeholders have been initiated by the regulator and draft regulations have been proposed. Debate on crowdfunding and crowdsourcing was held in the UK Parliament.	Selected (e.g., Saskatchewan) provincial security regulators initiate consultations with various stakeholders on "Crowdfunding exemption". First equity crowdfunding exemption has been approved in Saskatchewan.	Australian Corporation and Markets Advisory Committee (CAMAC) initiated public inquiry into equity crowdfunding.	
2014	Specific regulations with respect to equity crowdfunding and peer-to-peer finance have been introduced by the regulator after consultations with the general public	Provincial securities regulators propose new crowdfunding rules to the general public.	Further discussions regarding the legalization of equity crowdfunding are held in Australian Parliament. Based on the results of the public inquiry, the CAMAC publishes proposals for a regulatory framework on equity crowdfunding.	New Zealand's Financial Markets Conduct Act 2013 ('the FMC Act') came into force making equity crowdfunding legal for licensed platforms. In August 2014, Snowball effect has become the first New Zealand's licensed equity crowdfunding platform.
2015-2016		Selected provinces have adopted multilateral harmonized ECF regulations (e.g., Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia) with Ontario playing the leading role in the process.		
2016	Post-implementation review of crowdfunding regulation was initiated by the regulator.	Alberta adopted a prospectus exemption with respect to equity crowdfunding.		
2017			Australian Parliaments passes <i>The Corporations Amendment (Crowd-sourced Funding) Act 2017</i> , which legalizes equity crowdfunding for the general crowdfunding.	

2018	<p>Changes to equity crowdfunding have been proposed by the regulator.</p> <p>Crowdcube and Seedrs have been named by the Beauhurst as the leading UK equity investors according to the number of deals. Overall, these two platforms dominate the equity investment landscape for seed and early-stage businesses.</p>		<p>Australian Parliament introduces some changes to ECF regulation</p>	
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Table 5. Process of regulatory acceptance of equity crowdfunding

Country	Public discourse on ECF regulatory reform started	Initial regulatory acceptance of equity crowdfunding
The United States of America	2011	2012
The United Kingdom	2011	2011
Australia	2011	2017
Canada	2011	2013
New Zealand	2012	2013

United Kingdom

From the very beginning, the United Kingdom took a leadership position in equity crowdfunding. Crowdcube – a British equity crowdfunding platform – emerged as early as 2011, and, was also one of the first equity crowdfunding platforms in the world. Initially, the regulation of equity crowdfunding was very liberal in Great Britain. In particular, the activity itself was not prohibited, but each platform had to be authorized by the regulator. So-called “unsophisticated” investors could invest a limited amount of funds as well.

The movement for better regulating equity crowdfunding was endorsed by most of the relevant stakeholders ranging from founders of crowdfunding platforms to British Treasury executives and Members of Parliament. Despite some heated debates concerning the distinction between “sophisticated and unsophisticated” investors among the Financial Conduct Authority and Labour MPs such as Barry Sheerman, the regulator supported the reform. One of the biggest victories of the “crowdfunding movement” was the extension of very generous tax breaks to equity crowdfunding, which made investing on crowdfunding platforms very attractive. Overall, since 2013, the UK has become a global leader in equity crowdfunding, hosting three out of five of the world’s biggest platforms. In fact, according to the founder of Seedrs – the fourth biggest platform in the world – the company was established in London and not in the U.S. precisely because of the former’s more permissive crowdfunding regulations.

Australia

Australia can be placed on the other side of the spectrum regarding the liberal approach to equity crowdfunding. Donation-based crowdfunding was not prohibited from the outset, but equity crowdfunding was not permitted. Despite the lobbying efforts of entrepreneurs, investors, and the Corporations and Markets Advisory Committee, equity crowdfunding was only legalized in 2017, and the first platforms were licensed as late as 2018. As a result, in 2017, the amount of funding raised by Australian equity crowdfunding platforms accounts for as little as 1% of the global equity crowdfunding funding volume.

New Zealand

The close competitor of Australia, New Zealand has been more successful in equity crowdfunding due to its more liberal securities regulations. New Zealand seemed to be further advanced in equity crowdfunding in comparison with Australia, as the crowdfunding rules were passed as early as 2014, and the first operators were already licensed the same year. As a result, despite its smaller market size and a very modest amount of financing for entrepreneurs in general, in 2017 equity platforms attracted more funding in comparison to their Australian counterparts.

Canada

The legalization process was slowed down by the country's complexity regarding securities regulations, as Canada did not have a central regulator. Consequently, each province passed its own rules, with Ontario being the first in 2013, but only that province's residents were allowed to invest. The harmonization of equity crowdfunding regulations across the country is expected in 2020.

The well-publicized JOBS Act campaign sparked the debate on the legalization of equity crowdfunding in Canada in the U.S., as well as by the departure of some high-profile entrepreneurs such as the founder of Pebble, Eric Migicovsky. The emigration of entrepreneurs and even "the brain drain to the U.S." was a recurring theme in the Canadian discourse; the narrative was frequently repeated by the lobbyists of equity crowdfunding such as the Canadian Advanced Technology Alliance. The crowdfunding reform faced some opposition from securities regulators and investor protection groups. Due to the regulatory complexity, so far, equity crowdfunding has not been very successful in Canada, and only a handful of platforms are operating in selected provinces such as Ontario.

5. Discursive Themes

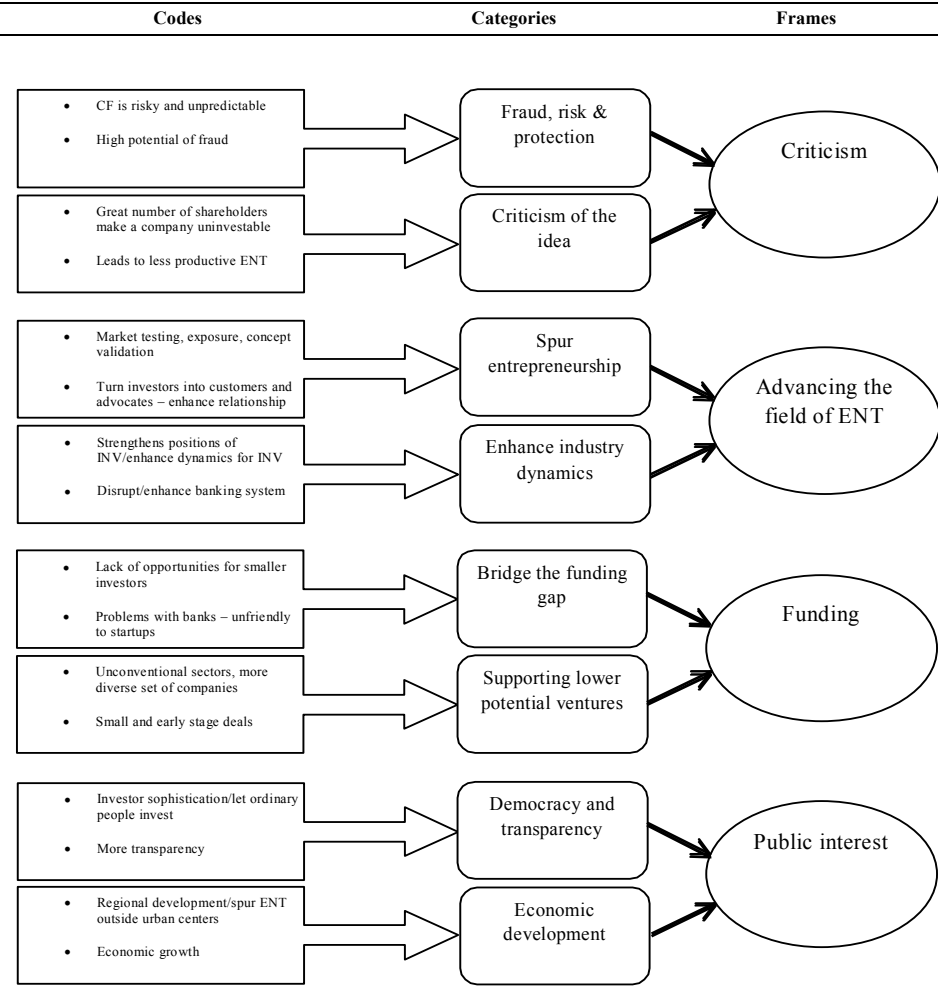
As we proceeded with the analysis of the textual data – newspapers and government documents, we began to grasp the narratives utilized by the

proponents and opponents of crowdfunding. Not surprisingly, we captured several themes already uncovered in a previous study of equity crowdfunding discourse (Iurchenko & Petty, 2018). Some of these narratives featured in the public debate represented the interests of entrepreneurs and investors, while regulators provided a more critical account of equity crowdfunding reforms. A few of the themes were somewhat similar across the sample, while a newly uncovered narrative of “National competitiveness” varied according to the national specificities and priorities of policymakers. Please refer to Figure 1 for a general overview of the themes and to Table 6 for a more detailed description of the “National competitiveness” coding category.

Table 6. Narratives on competitiveness across countries

Codes	Categories	Frame
<i>United Kingdom</i>		
- British global leadership in CF; - Need for coherent CF policy; - May lose the status due to poor regulation.	British leadership in CF	Global competition
- United States has strangled the baby at birth; - Lose the opportunity if go down the U.S. way.	U.S. failure to regulate CF	
<i>Canada</i>		
- Be more attractive to entrepreneurs; - Adopt similar to other countries policies; - Be at forefront of CF (regulation).	Ways to be more competitive	Competitiveness of Canada
- Mass emigration of entrepreneurs; - Red tape; - Funding gap.	Issues that are hurting competitiveness	
<i>Australia</i>		
- Being behind other countries in entrepreneurship; - Emigration of entrepreneurs to other countries; - NZ superiority in CF.	Country issues/problems	Competitiveness of Australia
- Stimulate/entrepreneurial ecosystem; - CF could make Australia more competitive; - Adopt similar to other countries CF and ENT policies.	Opportunities (to be more competitive)	
<i>New Zealand</i>		
- Leadership in Asia-Pacific; - World leadership in CF, and financial regulation in general.	CF leadership of NZ	Competitiveness/leadership of NZ

Figure 1. Overview of main themes in the discourse



5.1. Criticism of Crowdfunding Theme

From the beginning of campaigns for the passage of pro-crowdfunding regulations, critical reactions were quite prominent in all four countries. The criticism was twofold and focused on the following aspects of the upcoming reforms: Fraud, risk, and investor protection as well as the concept of equity crowdfunding itself. We begin with the former narrative, which was somewhat more pronounced in the data.

Fraud, risk, and investor protection. The premise of this argument, forwarded by critics of equity crowdfunding, was that allowing less sophisticated investors to invest will significantly increase risks and the probability of fraud. The essence of the fear is well captured in the testimony of Advocis, The Financial Advisors Association of Canada: “The combination of less stringent regulation in crowdfunding and neophyte entrepreneurs and investors will result in allegations of misrepresentation and fraud” (Advocis, 2013). Despite its significant presence in public discourse, this form of criticism did not fundamentally challenge the idea of equity crowdfunding. Instead, it focused on the risks associated with its implementation.

Conceptual criticism. Conceptual criticism was less widespread in the debate and was virtually non-existent in Australia. In general, it primarily called into question the possible consequences of equity crowdfunding as unproductive entrepreneurship, the minimal value it would bring for entrepreneurs beyond money, as well as the negative impact it may have on a business in the long-term by making it uninvestable. According to an investor from New Zealand, “While crowd-funding delivers dollars, it can make it more difficult for the entrepreneur to get the business off the ground as there are no knowledgeable lead investors and their support networks at the table” (Duff, 2013). Some experts such as Canadian Professor Jeffrey G. MacIntosh questioned “the wisdom of the crowd” itself arguing that from the “Dutch tulip bulb mania to the Credit Crisis of 2008, crowd-driven behaviour has authored some of the worst meltdowns in human history” (Macintosh, 2013). However, this type of scathing criticism was not overly voiced in the debate on equity crowdfunding.

5.2. Support for Equity Crowdfunding

Despite the criticism highlighted in the previous section, different stakeholders across all four countries widely supported the crowdfunding reform. Similar to the previous study (Iurchenko & Petty, 2018), we encountered themes representing the interests of investors and entrepreneurs such as “Funding” and “Advancing the field of entrepreneurship”, as well as the “Public interest” narratives. We also uncovered the “Competitiveness” narrative, which did not play a major role in the previous study.

5.3. Advancing the Field of Entrepreneurship

Spur entrepreneurship. The supporters of equity crowdfunding asserted that, in addition to providing funds, it would help entrepreneurs to further develop and test their ideas along with connecting entrepreneurs to the market. Additionally,

equity crowdfunding would help to eliminate less productive ideas quickly as “Even ideas that aren’t deemed worthy enough to get funding are worth testing, because you will have saved yourself a whole bunch of time finding out it wasn’t a good idea and getting smarter faster” (O’Carroll, 2013).

Secondly, according to its devotees, equity crowdfunding would turn investors into customers and advocates, and, more generally, enhance entrepreneurs’ relationships with investors. According to The National Crowdfunding & Fintech Association of Canada (NCFA Canada), equity crowdfunding platforms “would standardize, professionalize and streamline communications and interactions between investors and SME issuers.” In contrast, crowd investors would become “avid supporters, marketing representatives, and connectors,” who “will contribute to the success of their investment, manufacturing and distribution planning activities” (NCFA Canada, 2013).

Enhance industry dynamics. While making it easier for entrepreneurs to start and run the business, equity crowdfunding, its supporters argued, would also benefit other entrepreneurship stakeholders such as investors who would gain access to a broader pool of deals. A Canadian technology commercialization agency MaRS stated that “The ability for investors (or their advisors) to see a larger variety of early-stage investment opportunities that they wouldn’t be able to access elsewhere without significant effort was a key benefit” (MaRS Discovery District, 2013) of equity crowdfunding.

In a similar fashion, crowdfunding would reduce the risks and strengthen the positions of smaller investors. The focus on minority investor’s rights protection is well highlighted by Jeff Lynn, the founder of the British platform Seedrs:

“That’s critical. Otherwise, you’ll have a business that becomes successful and no one’s looking out for the minority investor’s interest – you’ll end up with some horrible dilution event. We’ll manage and protect [small investors’] rights. Other [crowd-funding] platforms are stuck in the situation of being much more hands-off” (Hurley, 2012a).

In addition to “Increasing the supply of new deals” and “Strengthening the positions of investors”, we also revealed other narratives focused on the benefits for investors and other stakeholders. Most notably, the proponents of equity crowdfunding argued that it would complement BAs (business angels) and VCs (venture capitalists) in the startup financing cycle, but also that crowdfunding would help positively transform the entrepreneurial finance industry in the long term.

5.4. Funding Narrative

Bridge the funding gap. The most direct benefit of equity crowdfunding, according to its supporters, would be in providing funding for companies and, therefore, bridging the funding gap. This apparent lack of funding was attributed to several reasons, one of them being the perceived unfriendliness of banks to startups:

“The fact is that start-ups have the most difficulty in getting money from the conventional banks. Very often, the banks have failed them, because start-ups have no track record and no history; consequently, banks are very cautious about lending money to them” (House of Commons Hansard, 2013).

Equity crowdfunding would be particularly useful for very early-stage companies, which are not yet qualified for funding from VCs or BAs. In other countries, such as Australia, equity crowdfunding might be the only option for entrepreneurs willing to raise funding “as funding by business angels and venture capital firms is close to non-existent” (Tompkins, 2013).

In addition to providing funding for startups, equity crowdfunding was often portrayed as a golden opportunity for smaller investors, who were frequently downplayed by larger investors. According to the founder of Crowdcube – a very successful equity crowdfunding platform, it used to be “very hard to invest £500 of equity in a private company” because “a business angel network would laugh you out of the door” (Hurley, 2012b). In summary, the proponents of equity crowdfunding described it as a tool for leveling the playing field for those early-stage companies, which typically found it harder to receive funding from incumbent investors, as well as for smaller investors underrepresented in well-established financial institutions.

5.5. Public Interest Narrative

Economy and jobs. This narrative, which we considered to be crucial in the legalization of equity crowdfunding in the U.S. (Iurchenko & Petty, 2018), played a significant role in the four countries as well. However, we did not encounter a lengthy discussion about jobs in the sample; instead, the debate was mainly focused on economic development as a whole. In Australia and Canada we located a narrative built around how the legalization of equity crowdfunding would spur regional development and entrepreneurship outside of large urban centers:

“[C]rowdfunding may help eliminate the geographical boundaries of capital formation—a major consideration in a country as large as Canada with a dispersed population. Entrepreneurs outside of Canada’s large urban centres

may find in crowdfunding a means to financing startups that local banks would never support” (Advocis, 2013).

More generally, equity crowdfunding was portrayed as a means to address economic slowdown and unemployment, which are, undoubtedly, the society-level concerns. This sentiment is expressed by a New Zealand politician, the Labour MP David Parker:

“[W]ould we not let them invest through crowdsource funding in something that could grow the prosperity of our country and bring the jobs and innovations that we need to prosper as an economy and to create job opportunities for the young people?” (New Zealand Parliament, 2013).

Democracy and transparency. In addition to the economy and jobs, the narrative of democracy and transparency provoked a heated discussion, in particular in the UK and Canada. In the UK, a motion to remove the investor sophistication requirement resonated with a profoundly ingrained labour political tradition. The Labour MP Barry Sheerman problematized the situation by stating that the sophistication requirement is unfair to everyday investors:

“The FCA suggests that only “sophisticated” investors should have access to crowdfunding; in other words, those who have a relatively high net worth. That kind of language makes me nervous, because it is insulting to ordinary people, suggesting that they do not know how best to invest a little bit of money” (House of Commons Hansard, 2013).

In Canada, in addition to a previously mentioned concern about democratizing investment, equity crowdfunding was portrayed as an effective way to tackle the burning issue of female and minority underrepresentation in finance: “Crowdfunding holds enormous potential to allow women entrepreneurs access to capital by allowing them to monetize their social networks” (Charlesworth & Ania, 2013). According to MaRS, equity crowdfunding offered considerable potential for immigrant entrepreneurs that have a hard time accessing funding from traditional sources (MaRS Discovery District, 2013).

5.6. Country Competitiveness

Another narrative that was prominently featured in the public debate was focused on how passing pro-equity crowdfunding regulations would enhance a country’s competitiveness. In general, according to policy diffusion literature, boosting national competitiveness is one of the main reasons for policy adoption (Simmons et al., 2006; Weber et al., 2009). Based on the themes in the discourse and previous research, we distinguished between two different government stances on this issue. The first position in which equity crowdfunding was portrayed as a tool

that would allow a country to nurture entrepreneurial leadership ambitions, was primarily shared amongst the United Kingdom and New Zealand, and to some extent by Canada. This position also displayed the learning component of the policy adoption, especially in the case of the UK. The second one featured a more conservative position according to which a government should adopt similar policies to those of other countries in order to mitigate various negative trends such as the emigration of entrepreneurs. This attitude was shared by Australia, and, partly, by Canada.

The premise of the British standpoint was that the U.S. had passed very restrictive regulations on equity crowdfunding, and, hence, made it very difficult for equity crowdfunding platforms to operate: “If we play it right, the UK is likely to become the centre of crowdfunding in the world, partly because the United States, in its haste to regulate crowdfunding, has, many argue, strangled the baby at birth” (House of Commons Hansard, 2013). Due to these perceived mistakes in the U.S. crowdfunding policy, and the fact that some platforms were established in the UK because of its more liberal regulations, the government made it very clear that it was the ambition of Great Britain to secure its status as the global crowdfunding hub: “UK has a strong global position in crowdfunding investment ... I am keen to ensure that we maintain and grow that position” (House of Commons Hansard, 2013). In general, British stakeholders emphasized that the UK should learn from both positive and negative experiences of the US and adopt a more permissive regulatory stance to secure the competitive advantage for Britain on the equity crowdfunding market.

Similar to the United Kingdom, the New Zealand entrepreneurship stakeholders were quite ambitious regarding the country’s potential to become “a hub for start-ups seeking crowdfunding in the Asia-Pacific region” (Pullar-Strecker, 2013). They maintained that with their financial regulations being at the forefront of world practice, they would have the capacity to be ahead of Australia and other countries of the Asian-Pacific region in equity crowdfunding. In general, both the UK and New Zealand presented a proactive, globally focused narrative on how stimulating equity crowdfunding further would enhance their national competitiveness. Both of them highlighted the need to move beyond the mimicking of the regulations and adopted in the US.

Contrary to the global perspective of Great Britain and New Zealand, the Australian discourse was much more focused on how the legalization of equity crowdfunding would help to address the local issues such as the emigration of entrepreneurs and the “brain drain”: “By not having a developed Crowd Sourced Equity Funding structure there are obvious detrimental outcomes” (Ward, 2013). One of the most apparent problems mentioned in the discourse was the emigration of high-tech, high-growth focused entrepreneurs to other countries such as the United States. Additionally, the position of Australia was more reactive in the sense that the proponents of equity crowdfunding urged government officials to adopt measures similar to those of other countries, rather than to strive to become

a financial regulations trendsetter: “the Australian Government should follow the lead of the United States and New Zealand and establish a framework for the regulation of CSEF in Australia” (Abrahams & Johns, 2013). In general, Australian stakeholders indicated the need to copy the best legal practices available, rather than innovating and moving ahead of other countries.

The Canadian standpoint in the debate on equity crowdfunding was in-between pro-active and reactive. Similar to Australia, Canadian stakeholders aimed to imitate the more advanced countries with respect to crowdfunding, in particular, the United States: “This is an idea we should be studying now in Canada, because if it takes off in the U.S., we should have the ability to allow it here too” (Immen, 2012). Additionally, equity crowdfunding was also viewed as one of the tools to rectify issues hurting the national competitiveness such as the emigration of entrepreneurs because of the lack of funding: “We see growing evidence that U.S.-based portals are approaching early-stage companies in Ontario with the aim of drawing them to relocate to the U.S. to take advantage of their services and improve their access to capital” (MaRS Discovery District, 2013). However, the discourse on the securities reform in Canada was also featuring themes on how equity crowdfunding would help Canada to become a world leader in entrepreneurship and the financing of entrepreneurial activity:

“In addition to raising more capital for more Canadian businesses, a progressive and vibrant crowdfunding regime will also make Canada more attractive to innovators and their businesses from other jurisdictions – strengthening our ability to compete in the fast-moving global innovation economy” (MaRS Discovery District, 2013).

Thus, the Canadian discourse on equity crowdfunding and national competitiveness was somewhat balanced between the very pro-active stance of Great Britain and New Zealand and the more conservative standpoint of the Australian government and regulators.

5.7. Overview of Findings

The analysis of the legalization processes across the United Kingdom, Australia, Canada, and New Zealand shows that all four governments and other stakeholders were ultimately supportive of equity crowdfunding in those four countries. However, the timelines of the reforms and how the new financial innovation was portrayed in the public discourse were not identical. One of the surprising findings is that, unlike in Australia and Canada, national competitiveness was not mentioned frequently in the discourse on equity crowdfunding in the UK and New Zealand (Table 7). Based on the analysis of data, we attribute this relatively low prominence of competitiveness in the public debate to the almost unanimous support received by the notion of equity crowdfunding. In the UK, the majority

of stakeholders including regulators were well disposed to the idea from the outset, and few issues could spark a heated debate. There were scarcely any voices questioning the vital role of equity crowdfunding in boosting national competitiveness. Both in New Zealand and the UK, the focus of the debate shifted towards how equity crowdfunding would spur entrepreneurship, which indicated the priority of entrepreneurship for the majority of stakeholders.

Table 7 Coding frequencies, grouped by stakeholder

Country	Criticism	Advancing the field of entrepreneurship	Funding	Public interest	Competitiveness
Australia	0.14	0.15	0.15	0.24	0.31
Canada	0.24	0.16	0.12	0.23	0.25
New Zealand	0.20	0.31	0.22	0.20	0.08
United Kingdom	0.12	0.28	0.10	0.36	0.14

While the general sentiment towards equity crowdfunding was somewhat positive in Australia and Canada as well, these countries, especially Canada, showed a higher level of opposition to the initiative. Unlike New Zealand, these countries possessed relatively stronger entrepreneurial finance ecosystems and some powerful incumbents such as investor rights protection groups (FAIR Canada) and high-profile investors (Adir Shiffman in Australia) that were averse to equity crowdfunding. In addition, the Canadian securities regulation was managed by provincial and territorial agencies and laws. Consequently, each region had to establish its own rules which slowed down the legalization of equity crowdfunding even further.

6. Discussion

Based on the analysis of the equity crowdfunding legalization process, we would like to make several propositions that go beyond the context of these four nations and may be generalizable for other studies of entrepreneurship, regulation and new industry emergence.

The premise of the goal-based approach to cognitive categorization is that rather than focusing on a list of attributes, audiences evaluate categories based on how effective they are in achieving goals that are relevant for the audience (Durand & Paoletta, 2013; Paoletta & Durand, 2016). Contrary to the previously dominant static view on categories (Hsu, 2006; Hsu & Hannan, 2005; Zuckerman, 1999), the goal-based approach stipulates that categories may adapt to the alterations in the preferences of audience members as well as evolving social discourse (Durand & Paoletta, 2013; Grodal & Kahl, 2017). These changes do not emerge in isolation but tend to be triggered by entrepreneurs and other parties interested in the change (David, Sine, & Kaehr Serra, 2017).

In this case-study setting, key entrepreneurship stakeholders were not satisfied with the availability of funding in the aftermath of the 2008-2009 crisis. Consequently, one of the prerequisites of a positive evaluation of equity crowdfunding was its complementarity with the goals of the stakeholders. For government actors, the evaluation of equity crowdfunding was positive, as, at least on the discursive level, it was instrumental in serving the public interest and promoting national competitiveness, which, arguably, are primary objectives of politicians. For entrepreneurs and investors, equity crowdfunding was framed as a tool for advancing entrepreneurship that had the potential to increase the supply of funding for new ventures and enhance industry dynamics without threatening the positions of incumbents. Based on the condition of crisis and perceived complementarity, we propose the following:

Proposition 1: Crises relax “categorical imperatives” and create opportunities for categories that are complementary to the audience’s goals.

Governments exert a profound influence on entrepreneurship, both directly and indirectly (Dowell & David, 2011). Governments tend to endorse, both financially and symbolically, those types of innovations “that may be important for the nation’s future competitiveness” (Georgallis et al., 2019, p. 505). However, while all governments, at least on the rhetorical level, appreciate the need for the advancement of national competitiveness, depending on their goals, they may seek to address this issue differently (Georgallis et al., 2019). Some governments may be more willing to take more risks by quickly adapting innovations, while others adopt more conservative approaches. In this case, Great Britain and New Zealand have pursued a proactive strategy towards equity crowdfunding aiming to secure leadership status.

On the contrary, Canada and, in particular, Australia, planned to “sit and watch” how equity crowdfunding would evolve in other jurisdictions, and then acted accordingly. Building on the analysis of the global competitiveness narrative, we propose the following:

Proposition 2: Country ambition for global leadership in a given field increases the pace of a new category’s legal adoption.

Well-established industries are usually characterized by strong incumbents who wield tremendous influence within an industry, as well as government actors that tend to protect the interest of dominant players, and, hence, the status quo (Elert & Henrekson, 2017; Fligstein & McAdam, 2012). Thus, the adoption of a new category may be slowed down by strongly positioned incumbent players, which may not be willing to lose their superior status (Ingram & Rao, 2004; Kim, Shin, Oh, & Jeong, 2007). This inertia tends to be less prominent if the general socioeconomic conditions are favorable and the current number of incumbents is

low, making the influence of established players on the rules of the game rather weak. Additionally, if an industry is perceived to be underdeveloped, government actors may be more open to change (Fligstein & McAdam, 2012). New Zealand possessed a dynamic pro-business economy, stable democratic government, and it was a friendly place for innovations in finance. However, the entrepreneurial finance market was very far from being saturated. Consequently, no strong opposition to equity crowdfunding could emerge because there were very few active players in the field of entrepreneurial finance.

Proposition 3: Countries that have a lower level of institutionalization and competition in a given field, but possess a favorable socioeconomic environment and infrastructure conducive to innovation, may be more open to adoption of new categories focused on the field in question.

Establishing a shared collective identity is essential in recruiting and preserving a group that would like to endorse a new market category (Weber, Heinze, & DeSoucey, 2008). Social discourse plays a vital role in forming a collective identity of emerging categories and helps define a category's distinctiveness from the pre-existing ones (David et al., 2017). During the campaign for a more liberal approach to equity crowdfunding in Great Britain, regulators faced a demand for lifting the "sophistication" requirement from both entrepreneurs and politicians. In particular, Labour MP, Barry Sheerman, was campaigning against this legal requirement as, according to him, its language was insulting to ordinary people. Consequently, the non-sophisticated investors were renamed into everyday investors, and the legal restrictions were significantly relaxed. Thus, the collective identity of a group of pro-crowdfunding supporters was directly imprinted in the regulations.

Proposition 4: A collective identity of actors supporting a new market category may be directly imprinted in the regulation if it resonates with the beliefs of politicians or government actors that have an active role in lawmaking.

7. Contributions

7.1. Contributions to Research

This exploratory qualitative analysis of the legalization of equity crowdfunding bridges and expands the existing research on equity crowdfunding, new industry emergence, and legalization as well as policy diffusion.

We offer a contribution to an emerging body of research that seeks to understand how country-level institutions shape equity crowdfunding activity

(Cumming, Vanacker, & Zahra, 2019; Johan, Cumming, & Zhang, 2018). This analysis demonstrates that country-specific attributes such as the level of institutionalization in the field of entrepreneurial finance, the similarity of goals and priorities of different stakeholders, as well as political willpower to adopt pro-crowdfunding policies, quickly had a profound effect on the local equity crowdfunding ecosystem. We suggest that concerted efforts between British politicians, investors and entrepreneurs were instrumental in securing the leadership position of the UK in the field of equity crowdfunding. Some of the founders of nascent equity crowdfunding platforms such as Seedrs decided to relocate from the United States because of their hostile policies governing equity crowdfunding securities regulations. Similarly, New Zealand has emerged as an equity crowdfunding leader in the Asia-Pacific region (Schwartz, 2018), even though, historically, the local venture capital industry was rather underdeveloped (CB Insights, 2018). Altogether, we propose that a close collaboration between the state, investors, entrepreneurs, and equity crowdfunding platforms can create a vibrant crowdfunding entrepreneurial ecosystem (Mochkabadi & Volkmann, 2020).

In addition, we contribute to an emerging stream of research which draws connections between the studies of new industry emergence and legalization (Georgallis et al., 2019; Ozcan & Gurses, 2018). By probing into both discursive and institutional conditions, this framework generates valuable insights with respect to the determinants of policy support for emergent industries (Gurses & Ozcan, 2015; Uzunca et al., 2018). We emphasize that government policy towards an emerging industry such as equity crowdfunding is shaped by the general government strategy in a given field. The findings on how the United Kingdom and New Zealand's political actors vigorously advocated for the legalization of equity crowdfunding contribute to a better understanding of the role of governments in the legalization of new industries. We uncovered that the speed and direction of regulatory reform largely depend on whether relevant audiences – government actors – identify a new industry as an industry that helps attain their goals, and that enhances national competitiveness. The UK and New Zealand's governments' inclination to endorse equity crowdfunding was also reinforced by the perceived and actual crises in the field of entrepreneurial finance, which made them more eager to revise the "status quo". We also find that the UK government categorized equity crowdfunding in line with the existing policy focused on the promotion of the sharing economy and financial innovations. In the case of Great Britain, different stakeholders' perceptions about equity crowdfunding were already shaped by previously established rules of the game.

We also contribute to the literature on policy diffusion (Guler et al., 2002; Polillo & Guillén, 2005; Weber et al., 2009). This study serves as a piece of empirical evidence for a more dynamic view of the diffusion processes and their outcomes. Previously, scholars looked into other factors contributing to policy

diffusion mechanisms such as strong trade ties and diplomatic ties between countries (Guler et al., 2002) as well as the influence of international policy institutions such as IMF (Polillo & Guillén, 2005). The focus on these, mostly macroeconomic factors, however, mostly ignored the role of social discourse in policy adoption. The results of the present study suggest the dynamics and outcomes of the policy adoption processes may evolve depending on the social discourse, and the process may be facilitated if new policies serve the interests of different stakeholders better. Moreover, we demonstrate the outcomes of diffusion depend on the perceived role of new policies by key government stakeholders.

7.2. Contributions to Practice

Our findings are relevant for policymakers seeking to revise government policies in light of innovations such as equity crowdfunding. The examples of Great Britain and New Zealand demonstrate that concerted efforts of government and industry helped secure leadership positions for a country in the emerging industry. Although the United Kingdom is a much smaller market than the United States concerning entrepreneurial finance in general, the coordinated policy of the UK government towards equity crowdfunding was instrumental in acquiring its leadership status in this niche market. The fact that the U.S. lagged in introducing final crowdfunding rules also illustrates that the first mover advantage may last for only a fleeting while if final policies are not expeditiously adopted. Apparently, as legal innovations can be quickly and easily copied, policymakers should strive for rapid and consistent implementation of new policies.

For entrepreneurs, these findings illustrate how innovative types of businesses may gain legal acceptance very rapidly if their framing is aligned with the goals of policymakers. In particular, framing new ventures as promoters of public interest and national competitiveness may be instrumental in gaining regulatory support instantly. In designing their business ideas, entrepreneurs are advised to understand that addressing broader societal issues such as unemployment, security and climate change may be instrumental in mobilizing public and political support, despite the potential pressure from industry incumbents (Uzunca et al., 2018).

7.3. Limitations

Despite its contributions, this study is limited by the fact that we obtained all the data from archival sources. We did not interview policymakers and other stakeholders to understand how their perception of equity crowdfunding was formed. Additionally, while we were able to analyze written evidence about the

legalization of equity crowdfunding, we did not have access to closed meetings or more informal discussions, which could have further enhanced our understanding of the process.

Furthermore, the sample comprises four Commonwealth countries, which share common cultural, historical and linguistic backgrounds. We did not include other countries such as Israel because our country selection logic was based on the principle of theoretical sampling. The policy diffusion studies we drew on emphasize that countries are more likely to adopt policies of each other if they bear close similarities in terms of economic and diplomatic ties, common cultural and historical traditions, language as well as institutional similarities such as common legal systems (Guler et al., 2002; Simmons et al., 2006). Following this logic, Israel would definitely stand out as an outlier, being a unique country in many respects. Further studies that apply a sampling logic different from ours could benefit from adding other countries such as Israel.

In addition, it should be noted that the United Kingdom, Canada, Australia, and New Zealand are highly developed market economies. The patterns observed in this study could contribute to a better understanding of the legalization process in other developed countries, which have strong formal institutions. However, it is possible that in emerging countries, a similar process would be less formulaic. Additionally, in countries with more authoritarian political regimes, the society-level discursive processes described in this study may not play a prominent role as governments would be more likely to formulate public policies behind closed doors with little regard for stakeholders' opinions.

8. Conclusions and Further Research

Since its emergence in the early 2010s, equity crowdfunding has intrigued entrepreneurship scholars. Moving beyond previously studied factors that drive crowdfunding success, this paper responds to the call for shifting the crowdfunding research focus on country-level institutional characteristics (Cumming et al., 2019; Mochkabadi & Volkmann, 2020). We demonstrate that the legalization of equity crowdfunding was an endogenous process shaped by country socioeconomic environments, social discourse, as well as the priorities and goals of politicians. While findings described in this paper offer new insights into the relationship between government policy, equity crowdfunding, and, at a more general level, emerging industries, many interesting questions still need to be addressed.

Further investigations of equity crowdfunding could build on the present study and test some of the findings empirically using a larger pool of countries. While the analysis includes a smaller, albeit typical for qualitative research number of cases, it might be worthwhile to examine how institutional factors (existing VC markets, pro-entrepreneurship policies, and macroeconomic

factors) impact government policy on equity crowdfunding across a larger sample of countries. We also suggest including countries such as India and China in such a study as a growing number of internet users and an increase in middle-class wealth may open up ample opportunities for equity crowdfunding.

More generally, in order to better understand the legalization process of new market categories, further investigations could look into the differences in the legalization process in developing countries characterized by institutional voids (Puffer, McCarthy, & Boisot, 2010). For example, unlike in London and Paris, Uber has faced little criticism in Egypt, partly because of its framing as a public interest phenomenon that addressed the issues of safety, in particular, the sexual harassment of women (Uzunca et al., 2018). It might very well be that other new market categories operating in the sharing economy sector will be more positively perceived in developing countries if those new ventures plan to tackle some of the pressing societal problems such as security.

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