

Localization of Crowdfunding Platforms

The Influencing Role of Culture, Institutions and Geography

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Abstract

This master thesis examines the role played by culture, geography and institutions on European crowdfunding platform's decision to localize their content towards international markets. The authors conducted a binary logistic regression analysis based on 470 observations of platform-country dyads collected from 269 European crowdfunding platforms and supplemented by additional sources of macro level indicators. Of the eleven hypotheses, social trust, geographical distance, high-context culture, rule of law and the investment orientation on platform have an effect on the decision to localize the platforms. IT infrastructure and the cultural dimensions of individualism, uncertainty avoidance, as well as a compounded variable of cultural distance, did not impact the same decision. The study's findings are limited contextually to European crowdfunding platforms offering lending, equity, donation and reward-based models. Other micro-factors or countries of operation may exhibit different patterns than what is presented in this thesis. The study is one of the first in the field of localization and crowdfunding, opening up for new discussions and insights. The results constitute and challenge the pre-existing theory on website localization. This thesis' findings suggest that the context of this research is of significant impact as cultural adaptation has been highlighted to be one of the key factors to succeed in foreign markets in other industries.

Foreword and Acknowledgement

Writing this thesis has been a fun and educational journey. It has been fascinating to look into a topic that is of such novelty that our results will be of considerable importance. We find the combination of the topics crowdfunding and international business really interesting and therefore, this thesis has been a pleasure to work on.

We would like to give special thanks to Professor Rotem Shneor for his valuable contribution and guidance. Based on earlier courses at the University of Agder, we knew that Rotem Shneor had conducted professional work in the fields of Crowdfunding and International Management. We contacted him in October 2018 to ask if he was interested in being our supervisor as we wanted to write our thesis within the topic of crowdfunding, international management and innovation. After some discussions, we ended up with the topic of localization strategies on crowdfunding platforms.

We want to thank our families and friends for their constructive feedback, support and long coffee breaks. We also want to express our gratefulness to the School of Business and Law at the University of Agder for offering a master's program that have provided us with essential knowledge, engaging courses and challenging tasks.

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1. Introduction

The technological advancement in recent decades has transformed markets and businesses into global entities (Cyr & Lew, 2003). Technological innovations have both introduced traditional companies to new customers and been instrumental in creating entirely new industries and methods of conducting business. Through interconnectivity, technological innovations have transformed consumers' role in the marketplace from being static "key information sources" (Kohli & Jaworski, 1990), to becoming empowered co-creators and co-investors in products and services they believe in (Ordanini, Miceli, Pizzetti & Parasuraman, 2011).

Alternative finance is one of the emergent industries created as a result of the technological growth of interconnectivity. Enabled by the internet, actors can raise funds for projects that they otherwise are unable to gain financial support for. As an alternative to traditional financial institutions, projects and inventions can reach their financial requirements through the growing industry of crowdfunding. In 2017, the total European market for alternative financing was over €10 billion (Ziegler et al., 2019). According to the World Bank, online alternative finance is set to globally surpass other traditional forms of new venture finance by the year 2020 (Petruzelli, Natalicchio, Panniello & Roma, 2019).

Fundraising and donations dates far back in history (Baumgardner, et al., 2017). However, crowdfunding utilizes online technologies and payment systems to facilitate platforms for transactions between the campaigner (the person or people who need funding) and the backers (the people that donate or invest their money) (Gerber, Hui & Kuo, 2012). The crowdfunding platforms is in the center of this dynamic, acting as intermediaries between the projects in need of financial support and the consumers willing to support it. In an increasingly interconnected and globalized world, campaigners, backers and crowdfunding platforms does not necessarily find themselves in the same country.

The internationalization of crowdfunding platforms enables the platforms to collect additional capital and new projects from other markets. In some cases, the demand for more projects, or larger markets in general could be the determining factor for internationalization. In other cases, the local market is too limited with capital to fund the platform's projects, forcing them to search abroad for additional financial support. For example, in the case of the French

crowdfunding website *Dartagnans*, who funds the restoration of ancient French castles of from an international crowd of backers invested in French medieval history (Dartagnans, 2019).

When internationalizing, crowdfunding platforms are met with a challenge to target, attract and build strong relationships with their international customers. The debate of standardization versus adaptation lies at the center of this challenge in the international business research (Yalcin, Singh, Dwivedi, Apil & Sayfullin, 2011). International companies have to decide if they want to adapt their content on websites towards international markets to attract customers and build strong customer relationships. Alternatively, the companies may choose to standardize their websites to a global audience, offering the same information and structure in all markets, saving resources and streamlining the communication. Previous studies have determined that online websites indeed adapt their content (Cyr & Trevor-Smith, 2004) in the process of localization. Websites adapt to cultural differences, institutional factors and variations in online trust (Tigre Moura, Singh, & Chun. 2016). Cho and Kim (2017) concluded that there are cultural variations between crowdfunding platforms in two different countries, which presents the finding that cultural variations do exist within the alternative finance industry.

This thesis aims to discover the underlying factors impacting localization of crowdfunding platforms. It outlines the current state of existing literature regarding online localization decisions and internationalization strategies for online platforms. Based on key findings from previous literature, eleven hypotheses are developed to investigate the associations between culture, geography and institutions on the degree of localization on crowdfunding platforms. This is a quantitative study of 267 European crowdfunding platforms. The dataset is provided by one of the authors of the “Shifting Paradigms”- report (Ziegler et al., 2019) in collaboration with Cambridge Centre for Alternative Finance. The hypotheses are analyzed using binary regression in SPSS and the results are later discussed. A conclusion is presented as well as this thesis limitations and suggestions for further research.

2. Theory

A literature review is used to map and analyze relevant pre-existing studies to be able to establish a conceptual model. In management and business research, the literature review has been criticized to lack critical reflection and is often said to be biased by the researchers. However, Transfield, Denyer & Smart (2003) developed specific principles for reviewing research systematically, hence enabling future authors to minimize the impact of personal values and assumptions in their reviews.

By systematically reviewing former research, the authors were able to identify key contributors relating the topics of crowdfunding, internationalization and localization. The article review was conducted between January and March 2019 and the authors used the following keywords when searching for relevant studies: website localization, website adaption, cultural localization, cultural adaptation, framework of cultural values, cultural congruence, cultural categories, online customization, website localization, website design, localizing crowdfunding platforms and e-commerce.

It is useful and important to include various databases to discover as much of the field as possible within the given timeframe (Transfield et al., 2003). Accordingly, the keywords mentioned above were typed into the following search engines: Google Scholar, ProQuest, Elsevier Science Direct, Emerald Insights, EBSCO-host and the Oria search engine available through the Agder University Library. The result was more than 100 papers were discovered in the fields of standardization versus adaptation and online localization strategies. To narrow the papers down, the authors stated some criteria in order to classify and retrieve the most relevant papers. The authors required that the literature should

- be of high-quality and peer-reviewed from several fields. This was reflected in the search engines chosen and only searching for peer-reviewed articles in Oria
- be considered to be useful among other researchers, which was guaranteed through the number of citations in Google Scholar
- preferably be of more recent date, as the expansion of the internet is reflected in an increasing number of publications in the field

Researchers argue that a full list of the articles and papers should be listed in an overview where the concepts and variables are identified (Transfield et al., 2003; Webster and Watson,

2002). This is presented in table 1. The structure of this article overview is inspired by the work of Tigre Moura, Singh, & Chun (2016) and the master thesis written by Agerbo & Byklum (2011). The articles presented in the literature review are used throughout this thesis to argue for the hypothesis formulations and to compare the results of the analysis.

Author and year	Aim of Study	Sample	Method of analysis	Theory	Main Findings
A model of e-commerce use by internationalizing SMEs (Tiessen, Wright & Turner, 2001)	Firm factors impacting the standard of international websites.	12 Canadian Firms in Japanese markets	Case Study	Porter (1985) DiMaggio & Powell (1983)	The firm size affected the standard of the website itself, and the firm industry impacted the degree of adaption
Foreign country priorities in the internationalization process: a measure and an exploratory test on British firms (Clark, & Pugh, 2001).	Market, geographical and macro factors impacting market entry.	Internationalized British firms in nordic, germanic, latin and other markets	Interview-based Longitudal study	Uppsala Model (Johanson & Wiedersheim-Paul, 1975) Cultural Clusters (Ronen & Shenkar, 1985; Hickson & Pugh, 1995)	Firms locate in international markets closer to home, both culturally and geographically
How Firms Relate to Their Markets: An Empirical Examination of Contemporary Marketing Practices (Coviello, Brodie Danaher & Wesley, 2002)	The article aimed to explore cultural differences within industries.	Firms from the United States, Canada, Finland, Sweden and New Zealand	Comparative MANOVA analysis	Hofstede (1980) (Griffith, Hu & Ryans, 2000)	The study found that industry differences were more prevalent than cultural differences.
Standardization versus adaptation of international marketing strategy: an integrative assessment of the empirical research (Theodosiou & Leonidou, 2002)	Which of the factors pertaining to environment, market, customers, competition, product, industry, organizational or managerial factors led to either adaption or standardization.	36 previous articles investigating the topics	Article Review	Kotler & Armstrong (2001) Standardization (Levitt, 1983) Adaption (Terpstra & Sarathy, 2000)	Market size and managerial factors were the largest impacting factors on adaption
Cultural Adaptation on the Web: A study of American Companies' Domestic and Chinese Websites (Singh, Zhao & Hu, 2003)	Developing a framework for identifying cultural values in internationally adapted websites.	40 American companies in the Chinese market	Content Analysis ANOVA	Hofstede (1980) Hall (1976) Buzzell (1968)	The study found significant variations in expressed cultural in American and Chinese websites
The effect of national culture on adoption of innovations (Everdingen & Waarts, 2003)	This article investigates a national culture's impact on innovation adoption rates.	A sample of 2,647 medium sized companies from ten western european countries	Survey and quantitative analysis	Hofstede (1980, 2001) Hall (1976) Peng et. al. (2001)	Found that uncertainty avoidance, power distance and masculinity to negatively impact innovation. All other factors were positive
Measuring cultural adaptation on the web: a Content analytic study og U.S. and Japanese Web sites (Singh & Matsuo, 2004)	To outline which cultural values are important, and depicted in website design. And creating a framework for measuring cultural values online.	45 American Fortune 500 sites with international websites, adapted for the Japanese market	Content analysis and ANOVA analysis	Hofstede (1980) Hall (1976) Kassarjian (1977)	A framework of analyzing and indentifying cultural differences in web content, based on the cultural values of Hofstede and Hall
Adaptation of Cultural Content: Evidence from B2C e-commerce firms (Singh, Kumar & Baack, 2004)	Examine businesses' need to adapt international B2C websites based on cultural differences.	98 French, German and US international websites	Content analysis and MANOVA analysis	Hofstede (1980) Hall (1976) Singh & Matsuo (2004)	Found cultural variations between expressed values between international businesses' sites
Localization of Web Design: An Empirical Comparison of German, Japanese and United States Web Site (Cyr & Trevor-Smith, 2004)	Identifying connections between cultural variations and layout and site-design.	90 websites from German, Japanese and U.S.governments and municipalities	Content analysis and comparative analysis	Hofstede (1980) Barber & Badre (1998)	Conceptualized elements that are localized, dependent on culture
A Comparison of Online Trust Building Factors Between Potential Customers and Repeat Customers (Kim, Xu & Koh, 2004)	Exploring the factors leading to potential customers and repeat customers' trust in a website.	A large consumer-oriented website	Consumer-survey and regression analysis	Zucker (1986) McKnight, Choudhury & Kacmar (2002)	Reputation and proper information is critical to trust, the service level and system quality is more influential on customer satisfaction

Author and year	Aim of Study	Sample	Method of analysis	Theory	Main Findings
A Longitudinal Study of Cultural Differences in Global Corporate Web Site (Robbins & Stylianou, 2009)	Investigates the move towards homogenic cultural expression online	90 Websites from 22 countries	Content analysis Longitudal t-test and analysis of variance	Singh & Matsuo (2003) Hofstede (1980) & Hall (1976)	When reviewing the cultural shift over the last 10 years there is a incremental overall move towards cultural homogeneity
Online Banking Adoption: An Empirical Analysis (Chong, Ooi, Lin & Tan, 2010)	Investigates which factors influencing technology acceptance and willingness to adopt online banking	231 Malaysian students	Multiple regression	Davis (1989) Sathye (1999)	Usefulness, government support and trust were influential to technology acceptance and adoption of online banking.
Are Multinationals Localizing their Websites? (Singh, Baack & Bott, 2010)	Investigating to what extent localization is dependent on managers' attitudes	27 localized German and American businesses	Multiple regression	Buzzell (1968) Singh, Kumar & Baack (2005)	Managers' attitudes affected localizing positively when focusing on costumer satisfaction and negative on customer aquisition.
The Effects of Website Design on Purchase Intention in Online Shopping (Ganguly, Dash, Cyr & Head , 2010)	Exploring design aspects, trust, risk and purchase intention, in connection to Uncertainty avoidance and Collectivism-Individualism	290 university students from Canada, US and India	Multiple regression	Cyr (2008) & Ganguly, Dash & Cyr (2009) Hofstede (1980) Kroeber & Kluckhohn (1952)	Cultural differences had a moderating effect on trust. Uncertainty avoidance impacted navigation design, and Individualism impacted purchase intention
An Empirical Investigation of Mobile Banking Adoption (Lin, 2010)	Investigates which attributes, innovative or knowledge, that impacts mobile banking adoption rates	368 Taiwanese university students	Multiple regression	Lee & Chung (2009) McKnight, Choudhury & Kacmar (2002)	The study finds that almost all positive user perceptions influence user adoption, except perceived benevolence
Determinants of Cultural Adaption, Communication Quality and Trust in Virtual Teams' performance (Chang, Chuang & Chao, 2011)	To highlight the importance of cultural factors in virtual teams and to build a model of key performance factors of virtual teams.	Case studie of four companies	Face to face in-depth interviews	Pearce, Sommer, Morris & Frideger (1992)	The study found that cultural adaption influences trust and communication quality in virtual teams
Culture and Localization on the Web (Yalcin, Singh Dwivedi, Apil & Sayfullin, 2011)	Exploring companies cultural values online between europe and asia-pacific	Sample of 63 companies from Europe and Asia-pacific	Content analysis and ANOVA	Singh & Matsuo (2002) Hofstede (1980) & Hall (1976)	Finds cultural differences between localized content. Compares european countries' localization efforts toward Turkish and Russian cultures
Understanding users' initial trust in mobile banking: An Elaboration Likelihood Perspective (Zhou, 2012)	Understanding the motivations and aspects of gaining user's initial trust to mobile banking	270 Chinese university cities	Confirmatory factor analysis and moderated regression	Yang, Hung, Sung & Farn (2006)	Finds that quality information, service quality, reputation and structural assurance all impact initial trust towards mobile banking
A Framework to Localize International Business to Business Web Sites (Singh, Park & Kalliny, 2012)	Developing a framework to localize business to business websites	50 Korean companies	Conceptual development	Cyr & Lew (2003) Singh, Toy & Wright (2009)	Fids a framework for localizing B2B websites that focuses on: affecting trust, relation-specific investments and communication.

Author and year	Aim of Study	Sample	Method of analysis	Theory	Main Findings
The Role Played by Perceived Usability, Satisfaction and Consumer Trust on Website Loyalty (Flavian, Guinaliu & Guerrero, 2005)	The aim of the article is to determine which design and feature factors impact trust, satisfaction and customer loyalty.	351 respondents ranking well known consumer-oriented websites	Structural model analysis	Kumar, Scheer & Steenkamp (1995) Yoon & Kim (2000)	Website usability influenced customer trust and satisfaction, and indirectly affecting loyalty through trust and satisfaction.
Does Culture Matter on the Web? (Burgmann, Kitchen & Williams, 2006)	Looks into which aspects of web content are influenced by cultural values.	Industry specific German, Greek and British sites	Content analysis and ANOVA	Hofstede (1980) Marcus & Gould (2000)	Specific design aspects and cultural values only differed significantly in regards to uncertainty avoidance and hypertext links
Analyzing the Cultural Content of Web sites: A Cross-Cultural comparison of China, India and the US (Singh, Zhao & Hu, 2005)	Exploring differences in website expression based on national cultural variations.	In total 93 local Chinese, Japanese, US and Indian company websites	Content analysis and ANOVA	Hofstede (1980) Singh, Zhao & Hu (2003)	Finds significant variations between culturally dependent web content
A Cross-cultural Analysis of German, Chinese and Indian Customers' Perception of Web Site Adaption (Singh, Fassot, Zhao & Boughton, 2006)	Determine whether German, Chinese and Indian consumers prefer sites adapted to their local culture.	34 American companies locally adapted to Chinese, Indian and German culture	Partial least squares	Singh & Matsuo (2004)	German and Chinese customers responded more favourably to websites adapted to their culture.
Culture and Web Communications (Baack & Singh, 2007)	Exploring how well Singh's framework of cultural values is captured using Hofstede, and comparing it to Schwartz.	274 sites from over 14 countries and cultures	Confirmatory Factor Analysis	Hofstede (1980) Schwartz (1994) Singh & Matsuo (2004)	Both were non significant on their own, the article suggests using individual variables, as well as including other frameworks
Consumers' Trust in Electronic Commerce Transactions: The Role of Perceived Privacy and Perceived Security (Chellappa, 2008)	Identifying which aspects of a website or company ensured trust in the transaction.	Several international commerce websites	Partial Least Squares regression	Barber (1983) McKnight (2002)	Reputation of the company, as well as perceived security were positively impacting trust in the transaction. Satisfaction with the website was not significant.
Modeling Web Site Design Across Cultures: Relationships to Trust, Satisfaction, and E-Loyalty (Cyr, 2008)	Creating a model that links website design to consumer trust and satisfaction and its influence on e-loyalty	1,156 respondents to one website, adapted to China, Germany and Canada	Partial Least Squares regression	Hofstede (1980) Flavian, Guinaliu & Guerra (2006) Singh, Zhao & Hu (2003)	Adapted navigational, visual and informational design were influential to e-loyalty, mediated by their influence on trust and satisfaction.
Website Characteristics, Trust and Purchase Intention in Online Stores: An Empirical Study in the Indian context (Ganguly, Dash & Cyr, 2009)	A deeper analysis on the design aspects on online trust, risk and purchase intention.	290 students assessing Indian website characteristics	D-E-M, direct effect model Path Analysis, AMOS 4.0	Cyr (2008) Chellappa (2005)	The way information, communication, privacy and security were displayed and perceived had an influence on online trust and reduced perceived risk.
National Culture and Global Diffusion of Business-to-consumer E-commerce (Gong, 2009)	Investigate the effects on national culture on the adoption of B2C E-commerce	58 Countries	Time-series data, nonparametric correlation analysis	Hall (1976) Hofstede (2001)	Found significant culturally dependent differences of adoption rates of e-commerce for B2C

Author and year	Aim of Study	Sample	Method of analysis	Theory	Main Findings
Influences of Culture, Geography and Infrastructure on Website Localization Decisions (Shneor, 2012)	Investigating which factors that are underlying for companies launching a localized website	Nine european airlines' websites	Multiple regression	Hofstede (1980) Singh & Matsuo (2003)	The study does not find that specific cultural factors impact the launch of a localized website. However, cultural distance does.
Website Design in an International Context: The Role of Gender un Masculine Versus Feminine Oriented Countries (Cyr & Head, 2013)	Investigates the relationship between the level of masculinity in the culture and perceived gender differences online.	Over 1000 respondents from US, Canada, India, Germany, Japan, Mexico, Chile & China	ANOVA	Hofstede (1980) House, Javidan, Hanges & Dorfman (2002)	The study finds that cultures with high masculinity leads to perceived gender differences in informational content
Should All Firms Adapt Websites to Internaitonal Audiences? (Bartikowski & Singh, 2014)	Measuring culturally congruent websites' ability to garner positive attitude and trust towards the e-vendor.	200 University students	MANOVA	Cyr, Bonanni, Bowes & Ilsever (2005)	Culturally congruent websites (successfully localized websites) are significant in influencing trust and positive attitudes towards the e-vendor
Examining the Effect of Cultural Congruence, Processing Fluency and Uncertainty Avoidance in Online Purchase Decisions in the US and Korea (Ko & Kung, 2015)	Examines whether culturally adapted websites influence customer online purchase decisions.	245 American and Korean	ANOVA	Hofstede (1980) Singh & Matsuo (2003) Baack & Singh (2007)	Finds that cultural congruent websites were postetively influencing online purchase decisions and willingness to pay
An Exploratory Study of Website Localization Strategies: The effect of exogenous factors (Wu, Peng, Shi & Sia, 2015)	Investigating the degree of cultural values shown within websites in the tourism destination industry.	271 fortune 1000 companies with Chinese websites	Binary Logistic regression Multiple regression	Hofstede (1980) Singh & Matsuo (2003) Baack & Singh (2007)	Finds that local regulations, product type, CSR and localizaition strategy are all influential to the degree of localization
Localizing Cultural Values on Tourism Destination Websites: The Effects on Users' Willingness to Travel and Destination Image (Tigre Mourna, Gnoth & Deans, 2015)	Investigating the degree of cultural values displayed on tourims websites.	130 tourism websites from New Zealand, India and China	ANOVA	Singh, Zhao, and Hu (2003) Cyr (2008) Hofstede (1980) & Hall (1976)	The study finds that variations in collectivism, individualism, power distance, uncertainty avoidance, low and high context cultures are reflected online
A Comparative Analysis of Arab and U.S. Cultural Values on the Web (Chun, Singh, Sobh & Benmamoun, 2015)	Exploring cross-cultural differences in web design and communication between different cultures.	207 U.S and Arab websites	ANOVA	Hofstede (1980) & Hall (1976) Singh & Matsuo (2003)	The results show that online representation varies for all of the values tested, both Hall and Hofstede, for US and arab cultures, online
Cultural Distance, Innovation and Export Performance: An Examination of Perceived and Objective Cultural Distance (Azar & Drogendikj, 2016)	Investigates connections between cultural distance, technological innovation and organizational innovation	573 Swedish exporting companies	Average Variance Extracted (AVE)	Hofstede (1980) Kogut & Singh (1988) Yeganeh (2014)	The article finds that cultural differences in markets can garner innovation on both a technological and at an organizational level
Measuring Customer Satisfaction Toward Localization Website by QebQual and Importance Performance Analysis (Shia, Chen, Remdanyah & Wang, 2016)	Measuring the quality gap of localization efforts, and whether it meets the quality expectations of customers	90 Indonesian University Students	Descriptive quantitative study Importance-performance Analysis	Lee, Huang, Chang & Chen (2009)	The study finds that the company AlexiPress' localization efforts in Indonesia does not meet customers' expectations, especially not nformation quality

Author and year	Aim of Study	Sample	Method of analysis	Theory	Main Findings
The Influence of a Retail Firm's Geographic Scope of Operations in its International Online Sales (Tolstoy, Jonsson, & Sharma, 2016)	The purpose of the study is to explore the relationship between e-commerce and online sales channel adoption and international sales	562 Swedish retail firms	Multiple regression	Shneor & Flåten (2008) Singh, Kumar & Baack (2005)	The analysis shows that import, export and online sales channel adoption increases international sales
Web Design Attributes in Building User Trust, Satisfaction and Loyalty for a High Uncertainty Avoidance Culture (Faisal, Gonzales-Rodriguez & Fernandez-Lanvin, 2017)	Explores which design aspects that are most important to establish satisfaction and trust in uncertainty avoidance cultures	558 Pakistani university graduate students	Warp-PLS regression	Hofstede (1980) Ganguly, Cyr & Head (2010) Cyr & Head (2013)	The study finds that changes in typography, colors, quality of content, interactiveness and navigation all influenced trust and loyalty in uncertainty avoidance-cultures
Towards Cultural Translation of Websites: A large-scale study of Australian, Chinese and Saudi Arabian design preferences (Alexaner, Thompson & Murray, 2017)	Investigates website content variations based on cultural variations	460 Australian, Chinese and Saudi Arabian websites	Content analysis ANOVA	Hofstede (1980) Hall & Hall (1990) Singh & Matsuo (2005)	The study finds cultural differences in website design on layout, navigation, multimedia, representation, colors and text.
A cross-cultural comparative analysis of crowdfunding projects in the United States and South Korea (Cho & Kim, 2017)	Exploring cultural differences in webdesign in crowdfunding platforms from America and South Korea	One American crowdfunding site (Kickstarter) & a Korean site (Tumblbug)	Content analysis Chi-square tests	Hofstede (1980) Singh & Matsuo (2005)	The analysis finds significant difference in uncertainty avoidance, partial support for collectivism and no significant difference for power distance

Table 1: Overview of the literature review

2.1 Article Overview

Of the 45 articles reviewed, there were some variations in theoretical frameworks and cultural models. The most frequently used theoretical framework regarding the identification of cultural values online was developed by Singh and co-authors in a series of empirical studies (Singh, Zhao & Hu, 2003; Singh & Matsuo, 2004; Singh, Kumar & Baack, 2005). Their framework is based on Hofstede's (1980) and Hall's (1976) dimensions of cultural values. Hofstede and Hall's cultural dimensions are the basis for most of the studies conducting cultural analysis on the web (Marcus & Gould, 2000; Cyr, 2008). The article overview also included concepts from other studies (Schwartz & Davis, 1981; McKnight, Choudhury & Kacmar, 2002;) but previous studies have highlighted the framework of Singh and co-authors to be the most comprehensive (Baack & Singh, 2007).

The first articles in the field of researching cultural adaptation analyzed both measured and observed cultural values within two distinct cultures. The researchers found that websites were often culturally congruent (Singh & Matsuo, 2004). However, further development of the literature also explored cultural differences between regions (Yalcin et al., 2011) and differences between regions and other specific nations (Chun, Singh, Sobh & Benmamoun, 2015). Most of the studies compares US or Chinese websites to other western nations, arguably due to the large variations in cultural values. Recently there have also been studies where Asian and Arabic cultures have been compared both as a region and as individual countries (Tigre Moura, Gnoth, & Deans, 2015; Chun et al., 2015). The authors only found one study comparing the inter-European relationship of culture and localization (Yalcin et al., 2011). In addition to cultural adaptation, recent studies have switched focus towards factors impacting firm's localization decisions (Shneor, 2012; Wu, Peng, Shi & Sia, 2015). In these studies, institutional factors such as regulatory conditions, economic development and geographic distance were among new factors analyzed associated with localization decisions.

The most common dependent variable when comparing international websites was cultural adaptation within different segments of e-commerce, online banking and websites associated with global brands. Several of these studies were conducted through quantitative methods, using surveys to investigate the degree of localization on the web. Furthermore, several of the articles included a content analysis when controlling for the companies' website design characteristics and examining how the different cultures display these attributes on their websites (Singh & Matsuo, 2004; Cyr, 2008).

To the authors best knowledge, there is no former research of localization strategies in the context of crowdfunding nor alternative finance as nearly all of the studies included localization for commercial websites. However, localization efforts have not gone by unnoticed by crowdfunding scholars. One article investigated the cultural congruence on two distinct cultures' crowdfunding platforms (Cho & Kim, 2017). The two most recent European Alternative Finance reports "Expanding Horizons" and "Shifting Paradigms" (Ziegler et al., 2018; Ziegler et al., 2019), noted the need to further investigate the degree and underlying factors of internationalization. In 2017, the number of platforms reporting international transactions grew by 11%, continuing the trend from previous years (Ziegler et al., 2019). This creates a gap in the literature. Thus, our research question is as followed:

What impacts the degree of localization of European crowdfunding platforms?

2.2 Internationalization of Crowdfunding Platforms

In both the "Expanding Horizons"- report (Ziegler et al., 2018) and the "Shifting Paradigms"- report (Ziegler et al., 2019) from the Cambridge Centre for Alternative Finance (CCAF), the growing levels of cross-border transactions and the platforms' internationalization were highlighted as a topic of interest. The internationalization of crowdfunding platforms is expanding. "Shifting Paradigms" reported in 2017 that 88% of all European platforms reported some level of cross-border inflows and 61% of the platforms reported outflows in the same year (Ziegler et al., 2019). Furthermore, the report highlighted that crowdfunding platforms were overall following a standardized view, having a global website and global brand.

Several authors have stated that, in order to compete effectively and efficiently in new business environments, firms have to focus on which entry mode to choose and also ask the question if the company should standardize or adapt their marketing strategy in markets across borders (Theodosiou & Leonidou, 2003; Simon, 2000; Tsikriktsis, 2002; Luna, Peracchio & Juan, 2002). The choice between standardization and adaptation strategy in a company's marketing plan has, since the 70's, always played a central role in international business literature. Buzzell (1968) and Bartels (1968) expanded the scope to include international marketing strategy analysis. The phenomenon considers a variety of factors, such as market, industry and company attributes, all at the same time. Furthermore, it influences companies' decisions to meet the market's demand when operating across borders

(Alon, Jaffe, Prange & Vianelli, 2016).

2.3 Adaptation vs Standardization

Understanding the foundations of sustained competitive advantages have become a large part in the international business literature. Implementing value-creating strategies are used by companies to earn profit, to survive and grow in the market of operation (Porter, 1989; Geringer, Beamish & DaCosta, 1989). Value-creating strategies are said to be the collective ability of a firm to efficiently and effectively combine knowledge of the operating environment and the company's tangible and intangible resources (Geringer, Beamish & DaCosta, 1989; Barney, 1991). Furthermore, increased geographical scope of operations may increase a firm's ability to effectively coordinate their activities across borders and consequently increase their growth in the market of existing and future operations (Barney, 1991).

There are positive and negative implications of both internationalization strategies. A standardized strategy is normally cost-efficient and most convenient for global brands. Companies targeting customers from all over the world must meet the consumer's demands for the same quality on products or services, despite different cultures. The idea behind standardization assumes that there is a global market with global customers and the marketing strategy is therefore associated with similar or same marketing activities and promotions across borders (Alon, et al., 2016).

The adaptation strategy suggests that the customers have diverse requirements across countries as different countries have different cultures (Alon et al., 2016). Hence, the marketing strategy is based on differentiation in the material and in the social and symbolic characteristics when targeting foreign markets. International performance strongly indicates that adaptive products and services are more attractive to consumers as they tend to feel closer to the company selling them (Alon et al., 2016).

2.4 Website Localization

Previous studies have concluded that consumers have both higher purchase intentions and are more favorable towards the website if the website is culturally localized compared with websites that are standardized (Singh et al., 2005). To fully understand the purpose and ideas behind website localization, some definitions of the topic are described. Website localization

is defined as the *“process of customizing the visible content of the web site for a specific cultural group so that it may seem natural or “local” to members of that particular culture”* (Singh, Park & Kalliny, 2012, p. 57). The literature states that companies should account for the importance of culture when developing international websites (Sia et al., 2009; Singh et al., 2005; Steenkamp & Geyskens, 2006). This is to alleviate perceived risks in the transaction (Bartikowski & Singh, 2014) and to strengthen consumer relationships (Singh, Baack & Bott, 2010). Bartkowski and Singh (2014) specifically found an empirical connection between culturally congruent websites with higher attitudes of trust and website usability, which was especially present on weak brands’ websites. Furthermore, other studies have shown that trust, website reputation and communication have all become preeminent for e-businesses to succeed with customer loyalty (Kim, Xu & Koh, 2004; Gong, 2009; Singh, Alhorr & Bartikowski, 2010; Tigre et al., 2015).

Going through the literature, the authors found that it is essential for companies to adapt their website to the culture of the target market in order to effectively communicate with customers from other nationalities (Singh et al., 2012). Localization strategies also improve the perception of websites, opinions of site navigation and customers final intention to spend money. Based on previous research, adjusting the design strategies for their website will help to overcome issues which comes with cultural and legislative differences (Gong, 2009; Singh et al., 2012).

2.5 Website Design Characteristics

Knowledge of cultural differences play a crucial part in determining the success of e-commerce. However, the expectations of what is ‘usable’ and credible is culturally dependent (Cyr & Trevor-Smith, 2004). Barber & Badre (1998) coined the merging of usability and culture as the “culturability” of online websites. Accordingly, some companies have recognized the importance to design their websites to meet contrasting cultural and political environments.

When adapting websites to different cultures, it is useful for managers to identify which website attributes are affected by different cultural aspects (Bartikowski & Singh, 2014). Not all cultures are distinctly different, therefore some website attributes will be the same across cultures (Singh & Matsuo, 2004; Singh et al., 2005). Language, layout, graphic design, information system, programming, brand, culture, customs, symbols, time and date, currency

and color preferences are among the attributes that can contribute to successfully localizing e-business platforms (Singh, Alhorr & Bartikowski, 2010; Tigre et al., 2015; Cyr & Trevor-Smith, 2004). When localizing websites or web intermediaries, the goal is to establish an overall cultural platform that absorbs local content and local functions at the same time (Shannon, 2000). That entails that in addition to adapting the websites to local cultures, crowdfunding platforms must adapt to the legal and economic institutions of that market, to maintain transactional integrity (Shneor, 2012).

2.6 Culture

Despite the fact that the use of adoption strategy is largely used in other industries, there has been few efforts in cross-cultural research in the context of crowdfunding (Cho & Kim, 2017). Culture has long been recognized as the key attribute for underlying social constructs and behavior (Steenkamp, 2001). There are several frameworks that attempts to capture culture and the most acknowledged is Hofstede's Cultural Dimensions (Tigre et al., 2015; Hofstede, 1980), followed by Hall's high-context and low-context cultures (Hall, 1976; Alon et. al, 2016), Schwartz's Value Survey (Schwartz & Davis, 1981; Alon et. al, 2016) and Trompenaars' Dimensions (Alon et. al, 2016). Furthermore, the authors have found that cultural distance must be considered when operating in international markets (Kogut & Singh, 1988; Ghemawat, 2001; Shenkar, 2001). To gain competitive advantages in the marketplace, cultural distance has been found to be the most loyal construct in the theory of international business and it is typically used when companies are exploiting new markets of operation, building headquarter-subsidary relations and in foreign direct investments (Shenkar, 2001).

Despite being criticized (McSweeney 2002; Baack & Singh, 2007), Hofstede's definition of culture is prioritized and therefore emphasized in this thesis. He defines culture as "*the collective programming of the mind that distinguishes the members of one group or category of people from others*" (Hofstede, 2011, p. 3). Furthermore, Singh and his co-authors included the dimensions from Hofstede (1980), combined with Hall's high- and low-context cultures (1976) in their Value Framework that captures cultural aspects on websites (Singh, Zhao & Hu, 2003; Singh & Matsuo, 2004).

Due to the frequency of use in other studies (Singh et al., 2003; Ganguly, Dash, Cyr & Head, 2010; Bartikowski & Singh, 2014; Wu et al., 2015; Tigre et al., 2015; Cho & Kim, 2017), this

thesis will focus on the interpretation of culture from Hofstede and Hall's theories. Furthermore, Singh, Zhao & Hu (2003) and Singh & Matsuo (2004) have prioritized the variables individualism, collectivism and uncertainty avoidance to be the most consistently significant dimensions of website adaptation. In previous studies, the variables had significant results and the direction varied in different industries. Furthermore, Hall's high-context and low-context cultures are usually significant in the e-commerce segment (Van Everdingen & Waartz, 2003; Gong, 2009; Tigre Moura et al., 2015). Hence, this thesis aims to research whether this is true for crowdfunding platforms as well.

2.7 Individualism

Individualism is one of Hofstede's six dimension. It refers to the extent to which members of a society perceive themselves as individuals mainly concerned with themselves and their closest family. In highly individualistic societies people value self-reliance, achievement and personal freedom (Hofstede, 1980). Furthermore, the individuals are committed in trying out new things (Gong, Li & Stump, 2007), and social ties are recognized as loose (Singh et al., 2005). In addition, it is argued that websites should provide content that caters to individuals in an attempt to gain trust and loyalty (Ganguly et al., 2010). Individualistic cultural values depicted in websites manifests themselves as; detailed privacy policy, an emphasis through images and media of self-reliance, achievement and self-recognition and customized web pages (Singh et al., 2005). Additionally, it has been found that individualistic societies value distribution of information in a logical flow (Ganguly et al., 2010). The first hypothesis is proposed as followed:

H1: The higher the degree of individualism in a society, the higher the degree of localized content on the crowdfunding platform.

2.8 Collectivism

Collectivism and individualism were originally conceived as opposites in Hofstede's framework (1980) and has both been depicted as such in some studies (Ganguly et al., 2010) and recognized in the Global Leadership and Organizational Behavior Effectiveness (GLOBE) program (House, Javidan, Hanges & Dorfman, 2002). However, collectivism has lately been studied as an independent variable as the dimensions are shown to capture other constructs than only being the opposite of individualism (Cho, Kwon, Gentry, Jun & Kropp, 1999; Singh et al., 2005).

Collectivistic societies value group-norms, group achievement and interdependence (Cho et al. 1999). Singh, Zhao and Hu (2003) identified several cultural values online connected to collectivism, including a strong focus on community relations, social responsibility, chat rooms, members' clubs and discussion groups. Collectivist websites are associated with a family theme, an emphasis on the team as well as loyalty programs and special newsletters. Studies in crowdfunding show that some of the motivations which drive donations, stem from the feeling of contributing to a community and to gain a sense of belonging in a larger group (Belleflamme, Lambert & Schwienbacher, 2013; Belleflamme, Omrani & Peitz, 2015). Hence, the authors hypothesize:

H2: The higher the level of collectivism in a society, the higher the degree of localized content on the crowdfunding platform.

2.9 Uncertainty Avoidance

According to Hofstede (1980), the degree of uncertainty avoidance is related to the degree of perceived risk, uncertainty and ambiguity that a society can tolerate. For online customers, the level of perceived risk is important when deciding to purchase online goods or use online services (Chong, Ooi, Lin & Tan, 2010; Ganguly, Dash & Cyr, 2009) as there are several risks linked to online transactions, money transfer and payments (Chellappa, 2008). Perceived risk is affected by the degree of trust the user has in the website. Thus, the more culturally congruent a website is, the lower perceived risk and higher purchase intentions (Ganguly et al., 2010).

Cultures with a high uncertainty avoidance value security and low-risk situations, compared to other cultures that have a greater tolerance for uncertainty and consequently have a lower need to avoid risk. The Cultural Value framework (Singh & Matsuo, 2004) identifies several aspects of websites that are culturally congruent in societies with high uncertainty avoidance. One of the aspects include advanced customer service, thoroughly guided navigation through site maps, developed and informative links and navigation buttons. There is also an emphasis on local traditions and references to local contact points, local terminology and more free trials.

Studies have shown that cultures with high uncertainty avoidance have lower technology adoption rates and have a lower feeling of perceived control (La Ferle, Edwards, & Mizuno, 2002). Empirical research in equity crowdfunding found that clearly stating the risks and informing about them increased the success of a campaign (Ahlers, Cumming, Günther, & Schweizer, 2015). Local, culturally congruent websites increase the perceived control and reduce perceived risks, which indicates that the industry is aware of the need to clarify risks (Luna et al., 2002). This leads us to the following hypothesis:

H3: The higher the level of uncertainty avoidance, the higher the degree of localized content on the crowdfunding platform.

2.10 Cultural Distance

Although Hofstede's dimensions are found to be among the better at explaining cultural differences, it is argued that individual variables struggle to capture the richness of a culture (Steenkamp, 2001). Researchers have found that as a whole, cultural distance based on all of Hofstede's dimensions were influential on internationalization strategy (Kogut & Singh, 1988; Evans, Mavondo & Bridson, 2008; Kim, Kirkman & Chen, 2008). Previous studies have contradictory stated that a greater cultural distance increases the likelihood of a localized website (Shneor, 2012), or that cultural distance decreases the chance of the launch of a market specific website (Rothaermel, Kotha & Steensma, 2006; Evans et al., 2008).

In a crowdfunding context, existing literature states that the values promoted in the campaign are essential to the dissemination of that campaign and to gain commitment from backers (Petruzzelli et al., 2019). The authors hypothesize the following:

H4: The larger the cultural distance, the higher the degree of localized content on the crowdfunding platform.

2.11 High-context and Low-context Cultures

The anthropologist Hall (1976) divided countries into high- and low-context cultures. The dimensions of high- and low-context cultures refer to the codes of communication and the relation to communication in different cultures. In high-context cultures, the communication style is influenced by a strong interpersonal behavior, close human manners and a structured, social hierarchy. In such cultures, the communication is indirect, and the people tend to

interact using non-verbal communication through unique body language. Japan, China, Spain and other Mediterranean countries are examples of high-context cultures (Alon et al., 2016; Tigre Moura et al., 2015).

On the other hand, low-context cultures are characterized by having straightforward and linear communication, which is constantly explicit. In such cultures, most of the information is transmitted in the message communicated and nothing is left to personal interpretation as the intended information is well explained. Moreover, people from low-context cultures believe that rational appeal for products and services are important and consequently they use direct and analytical arguments in marketing. Examples of low-context cultures are Germany, Scandinavia, the UK and the US (Alon et al., 2016; Tigre Moura et al., 2015).

People from high-context cultures acknowledge personal greetings, company politeness and an informal verbal language. They prefer pictures, films and personal information about the companies (Tigre Moura et al., 2015). These are all attributes to succeed with a crowdfunding campaign and also easier to use when designing a localized platform (Koch & Siering, 2015). Consequently, the authors propose the following hypothesis:

H5: The higher the level of high-context culture, the higher the degree of localized content on the crowdfunding platform.

2.12 IT-Infrastructure

There has been a continuous growth in a wide range of e-services over the last decades, including e-commerce, online travel booking, online banking and a wide range of different mobile payment solutions for smartphones (Shneor, 2012). Crowdfunding normally takes place on internet-based platforms which requires adequate telecommunication infrastructure (Ordanini et al., 2011).

It is assumed that advanced IT-infrastructure will complement the ease-of-use of users, making them more interested to use innovative internet services (Shneor, 2012). Furthermore, previous studies have shown a tendency that technological ability is a key factor in firm's online market selection, as well as in the effort to meet the people with pre-knowledge and understanding of innovative solutions for investments (Tiessen, Wright, & Turner, 2001;

Davis & Harveston, 2000; Cuervo-Cazurra, Maloney & Manrakhan, 2007). Accordingly, hypothesis six is as follows:

H6: The higher the level of IT-infrastructure in a country, the higher the degree of localized content on the crowdfunding platform.

2.13 Rule of Law

Institutional structures and regulatory implementations have in themselves been found to affect internet use (Guillén and Suárez, 2005). The regulatory development of a market has been acknowledged to be critical, as a part of the supportive institutional environment (Oxley & Yeung, 2001; Shneor, 2012).

Such institutional environments, including technological, socio-cultural, commercial and legal infrastructures, are measured in frameworks of their own (Javalgi and Ramsey, 2001; Javalgi, Martin and Todd, 2004) and relates to a country's privacy laws, copyright protection and enforcement. Markets where the rule of law is more precise and more strongly enforced, market actors are required to adapt towards the institutions in the country of operation more extensively, resulting in websites that are more adapted to local cultures as well. This is specifically relevant for the uncharted regulatory environments that crowdfunding platforms operate in (Borello, De Crescenzo & Pichler, 2015). Thus, the authors suggest the following:

H7: The higher the level of rule of law, the higher the degree of localized content on the crowdfunding platform.

2.14 Geographical Scope

Geographical distance is defined as distance between a foreign-country capital to the capital of the home country and has an impact on which market to choose for entry (Clark & Pugh, 2001). Clark and Pugh (2001) further explained that geographical proximity negatively correlate with internationalization behavior patterns, whereas geographically distant countries are less prioritized markets for entry (Ojala & Tyrväinen, 2007). Furthermore, former research on venture capital concludes that the greater physical distance between the investor and the entrepreneur, the lowers the probability for the venture capitalist investing in the entrepreneur's product or idea (Kang, Jiang & Tan, 2017).

The internet is seen to be neutralizing national borders (Kang et al., 2017). Consequently, a larger geographical distance may not be a boundary for a crowdfunding campaign because of the large expansion of social networks and communities (Kang et al., 2017). Shneor (2012) emphasized that physical distance had no influence on the decisions related to website localization. However, his findings suggested that greater distance to the target market is associated with lower likelihood to produce a local website for serving it. Mollick (2014) argued that geographical limitation could be determined by the platform's communicative characteristics. Cho & Kim (2017) further explained that platforms that are communicating updates of the campaigns progress, combined with attracting a new and existing audience through social networking, positively influence the success rate for the campaign. It is therefore suggested that the communication strategy should be culturally congruent (Zeybek, O'Brien & Griffith, 2003). Consequently, it is assumed that the geographical scope has a greater impact as the investments historically appear within the home country or by friends and family in countries nearby (Agrawal, Catalini, & Goldfarb, 2014). Hence, countries in close geographical distance will be more likely to invest their money in campaigns due to culturally close communication habits:

H8: The greater the geographical distance, the lower the degree of localization on the crowdfunding platform.

2.15 Social Trust

Trustworthiness has long been connected in the literature regarding website design and cultural adaptation (Cyr, 2008; Ganguly et al., 2010), suggesting that cultural adaptation facilitates trust (Bartikowski & Singh, 2014). In e-commerce, trust is found to be one of the key factors to achieve success (Grazioli & Jarvenpaa, 2000; Falcone & Castelfranchi, 2001). Delhey and Newton (2005) define social trust as the belief that others knowingly will not do us harm and that people will search for others best interest. Furthermore, they figured that there are large differences between countries, when it comes to individual trust. Sociologists note that trust and distrust correlate more with social causes as income, social class, education and married status than with psychological or genetic factors (Newton, Stolle & Zmerli, 2018). In addition, previous research in crowdfunding behavior finds that trust towards the intermediate platform positively affects the investment behavior (McKnight et al., 2002; Kang, Gao, Wang & Zheng, 2016). As the backers and the campaigners normally do not meet

face-to-face, they reach out beyond their familiar trade environment and are forced to rely on social trust from different cultures. This resulted in the following hypothesis:

H9: The higher the degree of social trust, the lower the degree of localization on crowdfunding platforms.

2.16 Economic Freedom

In some economies, there has been an increase in demand for alternative, digital finance, also known as the alternative finance industry. Economies which aim for free trade, competition in the marketplace and also to promote entrepreneurship tend to adapt regulations that will support flexible finance, attract investments and facilitate high levels of labor and property rights (Kshetri and Dholakia, 2002; Guillén and Suárez, 2005).

Moreover, countries witness more crowdfunding startups and growth in the support of e-commerce in countries where the economy is free (Bengoa & Sanchez-Robles, 2003; Shneor 2012; Haddad & Hornuf, 2016). It is assumed that the advancement of technical solutions is among the key drivers of innovation and crowdfunding solutions. Accordingly, the hypothesis is as follows:

H10: The more economically free the environment in the target country, the higher the degree of localized content on a crowdfunding platform.

2.17 Investment Orientation

Lending- and equity-based crowdfunding accounts for the largest models in the European alternative finance market. The models are displayed differently online, partly due to the contrasting need for both social and financial capital (Gerber et al., 2012). Investment model-platforms have stronger regulatory requirements than other platforms (Ziegler et al., 2019), and thus requires more consideration when investing in internationalization. However, both platforms and backers see the regulations as necessary (Belleflamme et al., 2015), leading the authors to believe that the platforms take a great effort in their internationalization process. Comparing the volumes on investment-oriented platforms to non-investment platforms, previous studies have shown significantly higher volumes on investment-oriented platforms (Ziegler et al., 2019). Previous research has emphasized the need for trust and legal accreditation and its attributions to investment-volumes (Kang et al., 2016). Based on the

regulatory limitations and higher need for trust due to higher transaction volumes, the authors hypothesize:

H11: *Investment oriented platforms have a higher degree of localized content on the crowdfunding platform.*

2.18 Theoretical Framework

A model for understanding the interplay among the variables is described in figure 1.

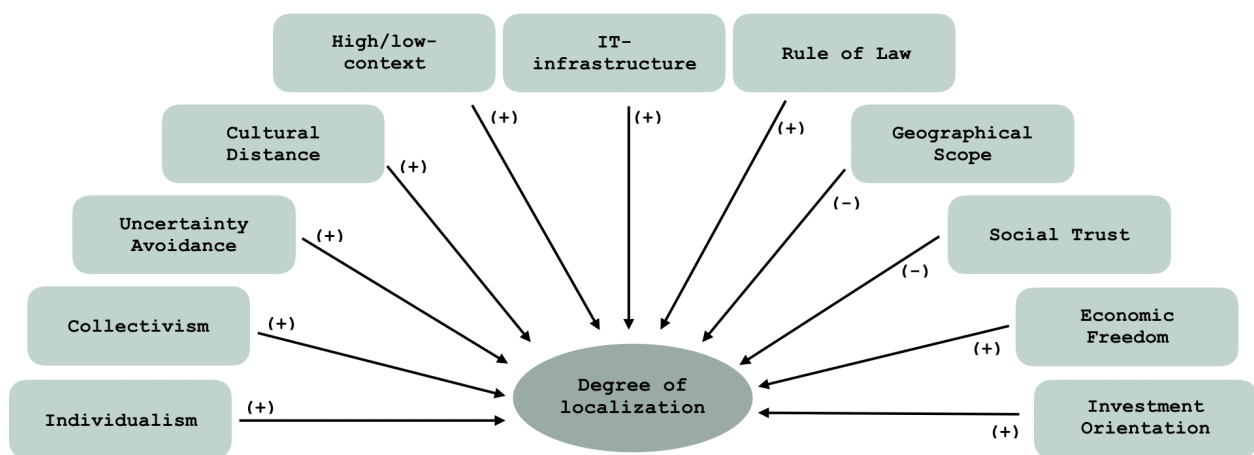


Figure 1: Conceptual model

3. Methodology

3.1 Context

Through the last decade, the alternatives for financing have exploded. One of the biggest issues for entrepreneurs and innovative projects, is the lack of steady financial support (Kim, Por & Yang, 2017). The emergence of access to internet and internet technology, combined with the financial crisis in 2008, presented a new market of opportunities for alternative finance and funding models, making room for crowdfunding as a new source of project and venture finance (Hoegen, Steininger & Veit, 2017).

Crowdfunding is defined as the *“collective effort by individuals who network and pool their money together, usually via the internet, to invest in or support the efforts of others”* (Ordannini et al., 2011, p. 444). The phenomenon rapidly expanded after the British band, Marillion, collected US\$60,000 through the internet to finance their world tour (Preston, 2014). Around the time of the shift from the 1990s to the 2000s, several charities and other non-profit organizations started raising donations through online platforms and societies (Hoegen et al., 2017).

The unique aspect concerning crowdfunding is the capability to exploit the value of social networking and social capital over the web, especially the merging term of viral networking and marketing. Such marketing mobilizes a large user group in specific online communities and engage in activities particularly interesting for some people (Hemer, 2011). In addition to creating excitement, crowdfunding campaigns make it possible to test the idea in the market before launch. This ease the campaigner’s possibility to do the changes needed to meet the customers’ expectations and to fully succeed with the innovative project (Ordannini et al., 2011).

The European market accounts for a total volume of €10.44 billion and is dominated by the United Kingdom, which alone represent 68% of the market. However, mainland Europe’s market share has grown consistently from 2015 up to 2017 (Ziegler et al., 2019). In fact, mainland Europe is the fastest growing market for alternative finance in the world, with a growth rate of 63% in 2017 (Ziegler et al., 2019).

Currently, the crowdfunding industry is divided into four models. Donation-, reward-,

lending-, and equity-based crowdfunding. In the European crowdfunding market, there are both local and international actors operating in all the four categories (Ziegler et al., 2019). Furthermore, the authors conducted a market screening and elaborated the four models.

3.1.1 Donation

Donation-based crowdfunding offers no tangible rewards to the backer. This model is based on altruistic motives and in relation to charitable causes within the health sector, environment or animal welfare. It uses crowdfunding as a platform to collect money for social purposes and usually the cases are non-profit (Hoegen et al., 2017). The donation-based crowdfunding accounts for 1.6% of the total European market in 2017. Even though this model only ranks to be the tenth largest volume in term of overall volume rankings, the model has increased by 64% since 2016 in Europe. It is also noted that even though this model increases in Europe, it is declining in almost all other regions (Ziegler et al., 2019).

3.1.2 Reward

Reward-based crowdfunding offers the backers non-monetary benefits for their monetary contribution. Types of rewards can range from a handwritten “thank you”- card and a meet-and-greet with the founders to pre-ordering, discounts or specialized features of the product or service being funded. Campaigners sometimes chose to use the product as the initial reward. This is so the developers can show off the physical product, as well as getting the possibility to further develop the product based on backers’ feedback (Hoegen et al., 2017). There is also an aspect of market introduction and testing the product in international markets by creating a crowdfunding campaign (Belleflamme et al., 2015). In Europe, the model of reward-based crowdfunding has a total volume of €158.80 million and ranks as the sixth largest model in 2017, with a market share of five percent. It is relevant to notice that in 2017, for the first time, the model experiences a 17% decline in volumes (Ziegler et al., 2019).

3.1.3 Lending

The lending-based model is used when the backers lend out money and are compensated with interest. This works in the same way as a person would get a loan in a regular bank. The backer (the lender) finds a project he or she has an interest in supporting in exchange for a given interest rate. This creates a virtual lender which gives some clear advantages; it yields better interest rates, and in some cases the process of applying for a loan will go much faster,

thereby time saving. Some researchers also distinguish between peer-to-peer lending and microfinance, as the latter focuses on smaller loans supporting social projects in under-developed countries (Beaulieu, Sarker & Sarker, 2015). Additionally, there are different types of peer-to-peer lending-based crowdfunding, which are sub-divided into P2P consumer lending, P2P business lending, balance sheet business lending, P2P property lending and balance sheet consumer lending. Overall, the lending-based model has the largest share of the alternative finance market and P2P consumer lending accounts for €1,392.38 million, 41% in total volume 2017, followed by P2P Business Lending with 16% of the market share. In mainland Europe, Germany and France are the top countries on both lending models (Ziegler et al., 2019).

3.1.4 Equity

In equity crowdfunding, the backers (inventors) will invest money in exchange for ownership or share profits with the company. This model is the closest to regular financing where investors buy stocks in a firm. The internet makes it relatively easy to link backers and entrepreneurs as the equity crowdfunding model enables hobby investors, pension funds, and anyone with the assets to invest and become business angels (Hoegen et al., 2017). Equity-based crowdfunding reached €210.75 million in 2017, which accounts for six percent of the market and ranks as the fifth largest model. Finland, France and Sweden are the countries doing most equity-based financing and this model has significant international platform activity, including 11 firms with operations in two or more countries (Ziegler et al., 2019).

3.1.5 The Crowdfunding Process

The crowdfunding process is a win-win situation for all three parts. The platforms offer secure and trusted payment facilitations and a community for the supporters and the fans for both campaigners and backers. The campaigners have market influence and will, hopefully, deliver on their products, services or investments to the interested backers after receiving the funding needed. Furthermore, the online communities make it possible for anyone to give feedback to the campaigners and, in doing so, they are able to better the idea before launching it. In addition, the platforms require transactions costs and administration fees and uses this income to secure sustainable operations. They also receive indirect promotion when their content is spread out on the web and in online communities (Hemer, 2011).

Several studies implied the need for introducing culture and adaptation in an empirical research in internationalization processes (Singh et al., 2003; Cho & Kim, 2017). This study is done on crowdfunding platforms, located in Europe, that participated in the Cambridge Alternative Finance Benchmarking Survey (Ziegler et al., 2019). The platforms included offer all types of crowdfunding models that serve both international and domestic markets.

3.2 Quantitative Research Method

Quantitative research method investigates topics by obtaining information from a large number of respondents so that the findings may be generalizable for the larger whole (Gripsrud, Olsson & Silkoset, 2011). This thesis aims to capture the extent of localization in the European crowdfunding industry. Hence, a large quantitative dataset was chosen over a smaller more in-depth qualitative study. This approach has also been the primary research method for similar studies investigating localization, as seen in the literature review.

The hypotheses in this thesis indicate relationships between the dependent variable (degree of localization) and the eleven independent variables that are mentioned above. When analyzing the relationships between variables, correlation is the most common method (Bryman & Cramer, 2012). The data analysis is run through SPSS, doing a binary logistic regression. The binary logistic regression forecasts the probability that the observations will fall into one of two categories of a dichotomous dependent variable. To run a logistic regression, the independent variables can be either continuous or categorical (Field, 2013; Laerd Statistics, 2015). Furthermore, the model predicts the probability of the observations being in one of the categories of the dependent variable given one of the independent variables. In this case, the dependent variable has four scale levels (no internationalization, global, glocal and local) and was not normally distributed. Hence, the authors had to transform the multinomial scale of the dependent variable into three separate variables *pure global*, *mixed strategy* and *fully localized*. The fourth level of no internationalization is not related to localization strategies and was only included to measure whether the platform entered international markets or not.

3.3 Sample

The dataset includes 500 observations of crowdfunding platforms that reported operations across Europe in 2017, excluding the United Kingdom. The survey collected answers from 269 platforms operating in 45 European countries with 33 countries of operations. Some of the platforms in the survey were headquartered outside of mainland Europe, including the

US, UK, Japan and Israel. This thesis will focus on the market of operations and consequently, each observation is defined as platform-country dyad, as some of the platforms operate in multiple countries. 30 of the observations were excluded from the analysis due to missing data on some of the variables. Therefore, 470 observations were analyzed.

In addition to questions related to the platforms international strategy, questions regarding country of origin, trading volumes and models offered on the platform gave insight into the European alternative finance industry. For instance, in 2017, the three largest markets in mainland Europe were France, Germany, and the Netherlands. They accounted for 46% of the entire regions volume. This is a decreasing from 2015, where the three countries' market shares were 70% in total. Since then, particularly markets of eastern European countries such as Albania, Slovakia, and Romania have experienced high growth rates (Ziegler et al., 2019).

The mainland European crowdfunding market includes 13 distinct model-types in the four categories of lending, equity, donation and reward. In addition to including all major platforms, the survey ensured to contain all the different crowdfunding models. Of the 470 analyzed observations, 258 were non-investment-oriented platforms and 212 were of investment-oriented. The observations were not exclusive on which categories the platforms were in. Occasionally, reward-based platforms offered donation campaigns. This resulted in a total of 137 observations being lending-based, 92 being equity-based, 156 observations reward-based, and 112 being donation-based. Leading to 15 cases where one observation had multiple categories.

In consideration to the use of different cultural values based on countries, the authors overlooked the span of countries of operation. Table 2 presents the 33 countries included in the survey.

Country of Operation	Number of Platforms	Country of Operation	Number of Platforms
Albania	3	Latvia	9
Austria	19	Lithuania	10
Belgium	13	Luxembourg	1
Bulgaria	5	Netherlands	30
Croatia	3	Norway	20
Cyprus	1	Poland	14
Czech Republic	8	Portugal	8
Denmark	21	Romania	6
Estonia	12	Russia	6
Finland	16	Slovakia	7
France	44	Slovenia	4
Germany	44	Spain	37
Greece	6	Sweden	14
Hungary	3	Switzerland	17
Iceland	4	Turkey	7
Ireland	8	Ukraine	5
Italy	42		

Table 2: Overview of number of platforms in different countries included in the survey

As seen in table 2, France, Germany, Italy, Spain and the Netherlands were the countries of operation with the most centered crowdfunding platforms, when excluding the UK. This is in line with the volumes raised in these markets, as seen in figure 2 (Ziegler et al., 2019).

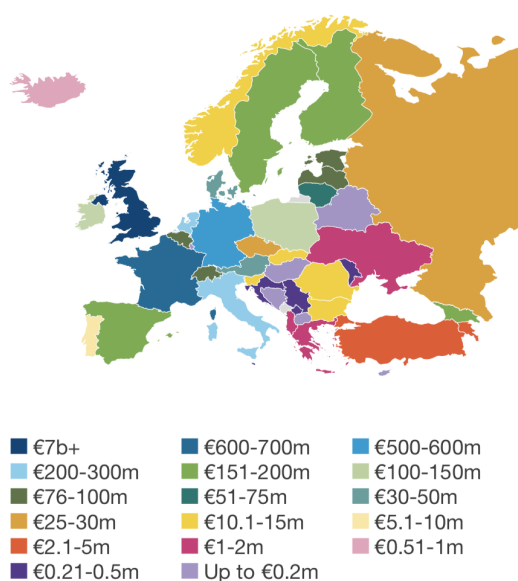


Figure 2: Comparative Market Volumes of Alternative Finance Transactions in the EU (2017). Total volume in €m

4. Data Collection

The fundamental information used in this thesis was collected for the Cambridge Centre for Alternative Finance Industry Benchmarking survey (Ziegler et al., 2019). The survey was a part of Cambridge Center for Alternative Finance' "Shifting Paradigms" report (Ziegler et al., 2019) and was shared with us by one of the authors of the report. The survey included 33 questions which were used to capture self-reported accumulated data relating to platform operations and performance in the calendar year of 2017. The survey questions were distributed to the platform owners in multiple languages (English, French, Spanish, and German) to cope with language barriers and ensure acceptable numbers of participants.

For further insights, the authors added secondary data for the macro-level indicators from sources such as UN reports, geographical distance and variable scores from commonly referenced academic articles into the dataset used in this research. Both Hofstede's (1980) original and supplemented scores (Huettinger, 2008), as well as measurements from the GLOBE study were used to capture the countries different cultural values. This was done to ensure that cultural distance was not only measured using one scale, as scholars state that this could be misleading (Ambos & Håkanson, 2014).

Moreover, the authors also conducted a content analysis of the individual crowdfunding websites to underpin the survey. The content analysis was not conducted to reveal any distinct cultural features, but rather to ensure that the platforms had adapted to the local culture in the country of operation. The content analysis was based on the website design characteristics in the framework developed by Cyr & Trevor-Smith (2004). These characteristics included language, currency and symbols, as well as whether the platform gave any domain-name indication to which market it was operating in. This, in addition to whether the platform maintained its global brand or adapted the brand name depending on the market. This was added to the dataset, as well as verifying the self-reporting about the degree of localization.

4.1 Dependent Variables

4.1.1 Degree of localization

This paper's dependent variable measures the degree of localization of the platform. In collaboration with The University of Cambridge and our supervisor Rotem Shneor (2019),

the dependent variable is measured based on the response from platforms on questions related to the proportion of their transactions which could be considered cross-border flows. The European alternative finance sector is generally focused towards the international markets and the platforms are expected to answer if they categorized themselves as having either of the following:

- 1 = No internationalization
- 2 = Global brand and global website
- 3 = Global brand and local website
- 4 = Local brand and local website

The classifications of the four different degrees of internationalization holds some meaning for the future discussion of the analysis. If a crowdfunding platform chooses not to internationalize, it is interpreted as an active strategic choice. When discussing the three internationalization strategies, the dilemma of standardization and adaptation returns (Buzzell, 1968). The authors interpret crowdfunding platforms that classify themselves with a global brand and a global website have a standardized approach and follow a global strategy. This category will be referred to as a *pure global strategy*. Platforms that state they have a global brand, but local website, follow what the authors define a *mixed strategy*. Whereas platforms that localizes both brand and website, are defined to have a *fully localized strategy* and thereby adapt to the local culture.

4.1.2 Content Analysis

Furthermore, the dataset provided by The Cambridge Centre for Alternative Finance contained 102 observations where the stated internationalization strategy was not given. Through the content analysis, the authors gave the score 1 to all platforms with no international operations and the score 2 to all platforms that served at least one foreign market using English as primary language and a standardized approach. In addition, the authors made four criterions the platforms should meet in the foreign market to be categorized as a localized website. These criteria included domain name (.no, .com, .org), currency (EUR, NOK, GBP) and language (Spanish, French, Danish), as well as if the platform either maintained or localized their brand. Each column got the scores 1 for available at the website or 0 for not available at website. To reach the score of 3 = global brand and local website, the platforms must operate in at least one foreign market and fulfill

two out of four localization criteria. Three or four of the criteria must be met for a platform to be categorized as fully localized.

To ensure that the content analysis complied with the measured data from the CCAF survey, the authors validated the observations by comparing a selection from the original survey with the data gathered through the conducted content analysis. The authors ranged 40 selected observations after the same criteria. Choosing five observations of the category fully localized, 10 observations of the category mixed strategy, 15 observations of the global brand and lastly, 10 observations of no internationalization to follow the normal distribution of the data. The 40 selected observations forecast a Pearson correlation of 0,774. Hence, the authors argue that the content analysis is valid with the purpose of adding the missing observations on internationalization strategy to the dataset.

4.2 Independent Variables

4.2.1 Individualism

Individualistic cultures involve societies where everyone is expected to look after him- or herself and the ties between individuals are loose. Individualism is also a part of Hofstede's cultural dimensions (1980, 2001), hence the authors used the country scores from Hofstede Insights (2019) to measure individualism. Both individualism and uncertainty avoidance scores are measured as displayed in previous studies exploring the individual Hofstede dimensions (Van Everdingen & Waarts, 2003; Ganguly et al., 2010). The individualistic score is measured on a scale from 0-100, based on Hofstede's original study (2001), where the highest score possible is 100. The average score distribution is centered around 50.

4.2.2 Collectivism

As previously mentioned, Hofstede is the pioneer researcher in the fields of culture. Because this measurement is only done in one global, IT-company, his research has been subject of several critiques (McSweeney, 2002; Fang, 2003). The GLOBE program was established to expand on Hofstede's research. The independent, cross-cultural research project was conducted by Robert House, funded in October 1993 and collected data from 951 organizations across three different industries (House, Hanges, Javidan, Dorfman & Gupta, 2004). In the research of GLOBE, collectivism is divided into two constructs: institutional collectivism (collectivism I) and in-group collectivism (collectivism II). This paper is researching the cultural values of the individual, consequently the authors have used the

GLOBE research definition for in-group collectivism: “*the degree to which individuals express pride, loyalty, and cohesiveness in their families*” (House et al, 2004, p. 30). The GLOBE scale is on a 7-point scale and a higher rank denotes a more collective culture.

4.2.3 Uncertainty Avoidance

To measure the uncertainty avoidance for each market, the country score from Hofstede Insights (2019) was used. These include the original scores from Hofstede’s studies from 1980 and 2001, supplemented with values for countries that were not included in the original study (Huettinger, 2008). The scale spans from 1 to 120 and high numbers represent cultures that will try to avoid uncertainty and reduce risks. Uncertainty avoidance has previously been adapted to explain reactions to websites (Faisal, Gonzales-Rodriguez & Fernandez-Lanvin, 2017) and some studies have gotten contrasting results (Cyr, 2008).

4.2.4 Cultural Distance

Previous studies measuring cultural distance has used a compounded variable of differences in national culture (Shneor 2012; Azar & Drogendijk, 2016). The calculation was empirically validated by Evans, Mavondo & Bridson (2008). However, to capture even more of a nation’s culture, the authors incorporated the updated Hofstede framework (Hofstede, 2011) with six variables of national culture, which are power distance, individualism/collectivism, uncertainty avoidance, masculinity/femininity, long-term orientation and indulgence. They were compounded into one variable using the following formula:

$$CD_j = \{I_{io} - I_{ih}\}^2 / V_i / 6$$

Where CD_j is the cultural distance between the country of operations, and the home country of the crowdfunding-platform, I_{io} is the index for the i th cultural dimension of the operating country and I_{ih} is the index for the i th cultural dimension of the home country. The difference between the two is then divided by V_i , the total variance of the i th cultural dimension.

Further, the number is divided by six, which indicates the six different cultural dimensions. Even though this formula has been frequently used in recent international business research (Yeganeh, 2014; Azar & Drogendijk, 2016), the method of compounding variables has been criticized for equating Hofstede’s dimensions by aggregating them (Kogut & Singh, 1988; Shenkar, 2001). To address this issue, the authors included two new variables, alleviating

some individual pressure. The authors also based the difference on the same constructs, only summing the actual cultural difference, as previous authors also resorted to do (Azar & Drogendijk, 2016)

4.2.5 High-context & Low-context Cultures

Hall (1976) grouped culture into two categories, either high-context culture or low-context culture, depended on their communicational habits. He explains context to be the elements that surround an event and produces a meaning to a given crowd. The proportions of different elements of words, material things and body language that differs across cultures (Hall & Hall, 2001). High-context cultures communicates through their relationships and the information that is already implicit with the person they communicate with. Low-context culture is the opposite, as they interact with other people with an explicit code (Hall, 1976; Hall & Hall, 2001). This thesis uses the work of Van Everdingen & Waarts (2003), which was based on the work of Morden (1999) and Kotabe and Helsen (1998) to measure the scale of Hall's cultural scale. The countries are ranked by getting a score to the various categories, on a scale from very low-context (1) to very high-context (16) context. As Hall's dimensions appear in two clustered groups, Singh, Zhao & Hu (2005) used a binary variable by splitting the countries into low- versus high-context. In contrast to Singh, Zhao & Hu (2005), the whole 16-point scale was used in this thesis, to fully capture the construct of high- and low-context cultures.

4.2.6 IT-infrastructure

To measure the level of IT-infrastructure for each country, the authors used the natural logarithmic (ln) value of the bandwidth, which is measured in bits per second. The logarithmic value of IT-bandwidth is collected from the World Bank's Global Competitiveness Report 2017-2018 (World Bank, 2019) and the amount of data on the bandwidth is previously used as a measure of country's IT-infrastructure (Shneor, 2012).

4.2.7 The Rule of Law

The national rate of software piracy from the 2018 Business Software Alliance survey, "Software Management: Security Imperative, Business Opportunity" (BSA, 2018), was used to capture the variable rule of law. The score represents the rate of pirated software installed on computers and is presented as a percentage of the total number of installed software. Their association is that the higher degree of pirated software is caused by a lower the degree of

legal enforcement. Using this scale as a measurement for a specific country's rule of law was inspired by the work of Shneor (2012).

4.2.8 Geographical Scope

Considering physical distance between the markets, the authors used the natural logarithm (ln) of kilometers between the cities' capitals in the country of operations and the country which the platform is headquartered. This thesis used the *distance calculator* from DistanceFromTo to measure the length between the countries' capitals (DistanceFromTo, 2019). Such a measure has been used in previous studies (Dow, 2000; Shneor, 2012).

4.2.9 Social Trust

Delhey and Newton (2005) conducted an analysis of variation in generalized social trust in 60 nations worldwide. Delhey and Newton's dataset (2005) is constructed using the aggregated national trust scores as the dependent variable and several independent variables on social trust from other authors (Knack & Keefer, 1997; Paxton, 2002; Inglehart, 2004). The conditions for high social trust were categorized as ethnic homogeneity, high wealth computed through Gross Domestic Product (GDP) per capita, good and secure government, protestant religious traditions and equal income. The measurement of trust is mostly available for countries in Europe (33), but also Asian (11), American (11), African (3) and Oceania (2) countries are also included in the study. The World Value Survey is used and asks the pre-tested question:

“Generally speaking, would you say that most people can be trusted or that you can be too careful in dealing with people?”

The scale of World Values is nominal, asking for answers of yes or no and the rankings in the dataset shows the percentage of population that are trusting other people (Delhey and Newton, 2005).

4.2.10 Economic Freedom

The Economic Freedom Index, published by the Heritage Foundation, presents a portrait of 186 countries' economic freedoms. Economic freedom is defined as the fundamental right of every human to control his or her own labor and property (Heritage, 2019). In other words,

countries enabling a higher degree of commitment to economic freedom will consequently enjoy better living conditions.

The Index is based on 12 factors that are graded on a scale from 0 to 100 (Heritage, 2019). The overall score of a country is derived by the average of the 12 factors, giving equal weight to each of them. In addition, the scores are divided into the categories of *economically free* (100 - 80), *mostly free* (79,9 - 70), *moderately free* (69,9 - 60), *mostly unfree* (59,9 - 50) and *repressed* (49,9 - 40). For the purpose of this research, the authors used the full numerical scale in the analysis.

4.2.11 Investment Orientation

The investment orientation of a platform is indicated by variables collected from the CCAF Benchmarking Survey (Ziegler et al., 2019). The platforms related to investments includes peer-to-peer lending, business-to-business lending, property lending and equity models of crowdfunding. Regarding the non-investment-oriented platforms, the data includes platforms of donation- and reward-based crowdfunding models. The investment- and non-investment-oriented platforms were categorized into a dichotomous variable, where 0 equals non-investment and 1 is comparable to platforms offering investment models.

4.3 Control Variables

4.3.1 Total Volume

Two control variables were included in the analysis. Previous studies present a tendency that website traffic volumes influence the internationalization strategy (Shneor, 2012; Kotha, Rindova & Rothaermel, 2001). Higher monetary volume usually increases with the size of the network, which creates an inducement for firms to localize their website towards the diversity in their user base (Kotha et al., 2001). The authors used the natural logarithmic value (ln) of the total 2017 euro volume on each platforms. The volume is measured by total in-going transactions and is used as an indicator for the trade-volumes in the individual, specific markets.

4.3.2 Industry Indicator

Due to the novelty of this research, there are not many published articles nor previous theories that explains the role of different campaign industries on localization or internationalization strategies. It has previously been presented that the intensity of

competition in industry and that the fear of rivalries enters the same market may affect the choice of standardized or adaptation strategy (Tixier, 2005). And even though Belleflamme, Lambert & Schwienbacher (2013) found that backers do not necessarily have any special industry knowledge before supporting or investing in a project, a published master thesis from 2015 (Song & van Boeschoten, 2015) concluded that backers from creative industries are more likely to start up a crowdfunding project and also most likely to succeed with their campaigns. Based on this, the authors wanted to control if the campaign industry had any effect on the localization strategy. The dataset included a wide range of different industries, but due to time restraints and limitations, the authors prioritized to control for only one the campaign indicators. Technology hardware was chosen as it is not directly dependent on cultural behavior and easy to separate from the other indicators. The control variable was categorized into a dichotomous variable and all platforms that had campaigns including technology hardware was numbered 1 and platforms without technology hardware was valued as 0.

Both variables are retrieved from the dataset provided by the Cambridge Alternative Finance Benchmarking Survey (Ziegler et al., 2019).

5. Findings and Results

5.1 Validity and Reliability

To ensure the quality of this research, the authors used measurements that are commonly used and verified by former research such as the GLOBE project, Hall and Hofstede's dimensions and Delhey and Newton's study (2005) on social trust. Such construct validity ensure that the values used in this thesis measure what they are supposed to measure (Ambos & Håkanson, 2014). Additionally, the content analysis is only valid and meaningful as long as the results can be related to other measurements (Shapiro & Markoff, 1997). In this case the authors relate the analysis to the previous framework by Cyr & Trevor-Smith (2004) and a Pearson correlation of the dependent variable from the existing dataset to the content analysis. Hence, the authors assume our collected data is valid. Moreover, this survey should not suffer from common method bias due to the use of both primary and secondary data. The authors will therefore remove the common method concern.

From the results of Kolmogorov-Smirnov values and a Shapiro Wilk's tests, the dependent variable was not normally distributed ($p < 0.001$). In this case, the authors will not be able to run an ordinary linear regression. Hence a binary logistic regression is more appropriate. As mentioned in the method section, the binary logistic regression calculates the probability that each observation will fall into one of two categories of the dichotomous dependent variable.

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
International expansion strategy	,295	470	,000	,798	470	,000

a. Lilliefors Significance Correction

Table 3: Test for normality

Multicollinearity occurs if two or more of the independent variables are highly correlating with each other (Field, 2013). There are two ways of checking for multicollinearity; inspection of correlation coefficients and the Tolerance values. Due to high measures of multicollinearity, the authors decided to remove the variables in-group collectivism and economic freedom. Furthermore, the control variable of technology hardware was not significant in the correlation table and neither was it normally distributed by running a Skewness and Kurtosis test. After overlooking the dataset, all the industry indicators had large holes of missing values, indicating that there were not enough cases to include any of

the industry indicators to be a control variable. Due to the missing values, it was not possible to substitute technology hardware with another industry indicator. Hence, this control variable was also removed.

The variables' coefficients are tested all the models included in this thesis. The model using pure global vs mixed strategy as the dependent variable is presented in table 4 represents the weakest Tolerance and VIF values of all the models. All the Tolerance values are greater than 0.1 (the lowest is 0.299) and VIF values less than 10 (highest 3,343). This means that there should not be a problem with multicollinearity after removing the interfering variables, economic freedom and in-group collectivism as well as the control variable technology hardware.

Coefficients^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Individualism in country of operation	,423	2,365
	Uncertainty-avoidance in country of operation	,338	2,962
	Cultural distance	,299	3,343
	Cultural context in country of operation	,508	1,967
	IT-infrastructure in country of operation	,524	1,909
	Rule of law in country of operation	,310	3,222
	Geographical Distance (Ln)	,460	2,173
	Social trust in country of operation	,348	2,871
	Investment orientation	,832	1,202
	Total Euro Volume 2017 (Ln)	,894	1,119

a. Dependent Variable: Pure Global vs. Mix

Table 4: Coefficients including VIF and Tolerance values

	Pure Global vs. Both	Individualism	Uncertainty-Avoidance	Cultural Distance	Cultural Context	IT-Infrastructure	Rule of Law	Geographic Distance	Social Trust	Investment Orientation	Total Euro Volume
Pearson Correlations	1,000										
Pure Global vs. Both											
Individualism	-.138**	1,000									
Uncertainty-Avoidance	.022	-.468***	1,000								
Cultural Distance	.322***	-.565***	.277***	1,000							
Cultural Context	-.111*	-.244***	.583***	.121*	1,000						
IT-Infrastructure	.009	.300***	-.579***	-.280***	-.551***	1,000					
Rule of Law	.128*	-.668***	.535***	.519***	.506***	-.506***	1,000				
Geographic Distance	.457***	-.197***	.044	.661***	-.007	-.057	.163**	1,000			
Social Trust	-.114*	.502***	-.740***	-.270***	-.452***	.544***	-.627***	-.046	1,000		
Investment Orientation	.253***	.008	-.001	.218***	.042	.020	-.012	.319***	.064	1,000	
Total Euro Volume	-.153**	-.025	.083	-.170***	.072	-.051	.079	-.246***	-.140**	-.253***	1,000

Sig. * p > 0,05
 ** p > 0,01
 *** p > 0,001

Table 5: Correlation table

To ensure that none of the remaining independent variables correlate with each other, the correlation between the variables should not be greater than 0.7. From the correlations table one can see that there is a correlation between social trust and uncertainty avoidance with a correlation of 0.740. This does not necessarily mean that the two variables are the same construct, as cultures of low uncertainty avoidance needs a higher level of social trust in a society, as societies with higher uncertainty avoidance requires more formal rules and social norms rather than social trust to facilitate interactions. Both constructs are independently verified by previous studies (Hofstede, 1980; Paxton, 2002). Given this, the authors argue to include both variables despite high intercorrelation as they are both verified to be distinct and independent constructs from different large-scale studies.

5.2 Findings

The results of the binary logistic regression are presented in the following tables. Due to the nature of the dependent variable, the results of the hypotheses testing were displayed as four individual binary logistic regression tables. In addition, the authors first analyzed whether the variables had a significant impact on the choice of going international. The dependent variable is divided into the categories of domestic operation and international operation. Subsequently, the dependent variable was transformed into three separate categories; *pure global*, *mixed strategy* and *fully localized*. Hence, the authors first studied whether the variables had an impact on the choice of going international.

Following the hypotheses testing, the authors compared pure global to a combined *mixed strategy* and *fully localized*. Then, the authors ran pure global against *mixed strategy* and *pure global* against *fully localized* respectively. Lastly, *mixed strategy vs fully localized* was analyzed. Tables showing the hypotheses testing and the four comparisons are displayed in the following sections.

5.2.1 International vs Domestic

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	Individualism in country of operation	-,013	,015	,807	1	,369	,987
	Uncertainty-avoidance in country of operation	-,003	,016	,031	1	,859	,997
	Cultural distance	-1,632	1,003	2,646	1	,104	,196
	Cultural context in country of operation	,050	,045	1,238	1	,266	1,051
	IT-infrastructure in country of operation	-1,352	,446	9,174	1	,002	,259
	Rule of law in country of operation	-3,717	2,176	2,917	1	,088	,024
	Geographical Distance (Ln)	-,280	,161	3,031	1	,082	,755
	Social trust in country of operation	3,348	2,056	2,652	1	,103	28,445
	Investment orientation	-,552	,284	3,783	1	,052	,576
	Total Euro Volume 2017 (Ln)	-,050	,032	2,430	1	,119	,951
	Constant	8,395	3,672	5,227	1	,022	4426,001

a. Variable(s) entered on step 1: Individualism in country of operation, Uncertainty-avoidance in country of operation, Cultural distance, Cultural context in country of operation, IT-infrastructure in country of operation, Rule of law in country of operation, Geographical Distance (Ln), Social trust in country of operation, Investment orientation, Total Euro Volume 2017 (Ln).

Table 6: Binary regression of the dichotomous variable international vs domestic

The Nagelkerke R^2 provides an analogy to R^2 in ordinary least square multiple regression and explains the model of going international or not with 53,9%. This indicates that the variables included in the analysis have a high portion of explanatory power. IT- infrastructure has a negative correlation on the choice of expanding into international markets, which was significant at $p < 0.005$. The type of investment-orientation had a negative association on crowdfunding platforms going international, with a weak significance of $p = 0.052$. Lastly, the model also illustrates a weak and negative impact between geographical distance, rule of law and internationalization with a significance of $p < 0.1$.

5.2.2 Pure Global vs Combined Mixed & Fully Localized

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	Individualism in country of operation	,008	,017	,235	1	,628	1,008
	Uncertainty-avoidance in country of operation	-,006	,016	,147	1	,702	,994
	Cultural distance	,058	,175	,111	1	,739	1,060
	Cultural context in country of operation	-,128	,049	6,768	1	,009	,880
	IT-infrastructure in country of operation	,507	,464	1,195	1	,274	1,660
	Rule of law in country of operation	3,115	2,205	1,996	1	,158	22,542
	Geographical Distance (Ln)	,263	,064	16,916	1	,000	1,301
	Social trust in country of operation	-4,938	2,263	4,762	1	,029	,007
	Investment orientation	1,102	,344	10,270	1	,001	3,010
	Total Euro Volume 2017 (Ln)	-,033	,037	,811	1	,368	,967
	Constant	-,909	3,583	,064	1	,800	,403

a. Variable(s) entered on step 1: Individualism in country of operation, Uncertainty-avoidance in country of operation, Cultural distance, Cultural context in country of operation, IT-infrastructure in country of operation, Rule of law in country of operation, Geographical Distance (Ln), Social trust in country of operation, Investment orientation, Total Euro Volume 2017 (Ln).

Table 7: Binary regression of the dichotomous variable pure global vs combined variable of mixed strategy and fully localized

The binary logistic regression showed that social trust and high-context cultures have a negative statistically significant association with localized strategy at respectively $p < 0.05$ and $p < 0.01$. The model also indicates that both geographical distance (sig. $p < 0.001$) and investment orientation (sig. $p < 0.001$) has a positive influence on the extent of localization. The model explained 39,5% of the variance according to the Nagelkerke R^2 value.

5.2.3 Pure Global vs Mixed Strategy

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	Individualism in country of operation	,012	,020	,345	1	,557	1,012
	Uncertainty-avoidance in country of operation	-,002	,019	,014	1	,905	,998
	Cultural distance	,162	,256	,398	1	,528	1,175
	Cultural context in country of operation	-,152	,061	6,280	1	,012	,859
	IT-infrastructure in country of operation	,331	,578	,329	1	,566	1,393
	Rule of law in country of operation	3,351	2,796	1,436	1	,231	28,542
	Geographical Distance (Ln)	,262	,084	9,656	1	,002	1,299
	Social trust in country of operation	-4,984	2,713	3,374	1	,066	,007
	Investment orientation	1,083	,404	7,202	1	,007	2,954
	Total Euro Volume 2017 (Ln)	-,008	,041	,043	1	,836	,992
	Constant	-,306	4,356	,005	1	,944	,737

a. Variable(s) entered on step 1: Individualism in country of operation, Uncertainty-avoidance in country of operation, Cultural distance, Cultural context in country of operation, IT-infrastructure in country of operation, Rule of law in country of operation, Geographical Distance (Ln), Social trust in country of operation, Investment orientation, Total Euro Volume 2017 (Ln).

Table 8: Binary regression of the dichotomous variable pure global vs mixed strategy

For the analysis distinguishing a Pure Global and a Mixed Strategy, the variables explained 38,9% of the variance according to the Nagelkerke R^2 value and a Cox & Snell R^2 value of 23,1%. The binary logistic regression showed that social trust had a negative and weak effect at a significant level of $p < 0.1$. High-context culture negatively influences the degree of localization significantly (sig. $p < 0.05$). The model also implicates positive effects of both geographical distance and the investment orientation on the $p < 0.01$ level.

5.2.4 Pure Global vs Fully Localized

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	Individualism in country of operation	-,003	,024	,013	1	,908	,997
	Uncertainty-avoidance in country of operation	-,007	,023	,094	1	,759	,993
	Cultural distance	-,072	,246	,086	1	,770	,931
	Cultural context in country of operation	-,106	,068	2,432	1	,119	,900
	IT-infrastructure in country of operation	,606	,651	,866	1	,352	1,833
	Rule of law in country of operation	2,708	3,096	,765	1	,382	14,998
	Geographical Distance (Ln)	,229	,095	5,860	1	,015	1,257
	Social trust in country of operation	-4,201	3,378	1,547	1	,214	,015
	Investment orientation	1,008	,534	3,567	1	,059	2,741
	Total Euro Volume 2017 (Ln)	-,102	,073	1,968	1	,161	,903
	Constant	1,258	5,023	,063	1	,802	3,519

a. Variable(s) entered on step 1: Individualism in country of operation, Uncertainty-avoidance in country of operation, Cultural distance, Cultural context in country of operation, IT-infrastructure in country of operation, Rule of law in country of operation, Geographical Distance (Ln), Social trust in country of operation, Investment orientation, Total Euro Volume 2017 (Ln).

Table 9: Binary regression of the dichotomous variable pure global vs fully localized

The model that captures global strategy against fully localized is explains 26,8% by the variance of the variables according to Nagelkerke R² and 12,6% according to Cox & Snell R². Of the nine included variables, only geographical distance and investment orientation positively influence the choosing of a fully localized strategy. Geographical distance was statistically significant at $p = 0,015$ and investment orientation had a weaker significance at $p < 0.1$. This indicates that websites geographically farther away from the home market have a higher likelihood of being localized than websites operating in closer markets.

5.2.5 Mixed Strategy vs Fully Localized

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	Individualism in country of operation	-,019	,028	,461	1	,497	,981
	Uncertainty-avoidance in country of operation	-,013	,026	,236	1	,627	,987
	Cultural distance	-,425	,318	1,785	1	,182	,654
	Cultural context in country of operation	,061	,089	,467	1	,494	1,063
	IT-infrastructure in country of operation	,025	,787	,001	1	,975	1,025
	Rule of law in country of operation	-3,631	4,287	,717	1	,397	,026
	Geographical Distance (Ln)	,000	,115	,000	1	,997	1,000
	Social trust in country of operation	-,753	4,431	,029	1	,865	,471
	Investment orientation	-,053	,621	,007	1	,932	,949
	Total Euro Volume 2017 (Ln)	-,137	,085	2,608	1	,106	,872
	Constant	5,638	6,021	,877	1	,349	280,980

a. Variable(s) entered on step 1: Individualism in country of operation, Uncertainty-avoidance in country of operation, Cultural distance, Cultural context in country of operation, IT-infrastructure in country of operation, Rule of law in country of operation, Geographical Distance (Ln), Social trust in country of operation, Investment orientation, Total Euro Volume 2017 (Ln).

Table 10: Binary regression of the dichotomous variable mixed strategy vs fully localized

Lastly, this model was not significant after doing an Omnibus test of the model's coefficient. Despite the lack of strength in the model, the authors still ran the analysis and got no significant effects, as shown in table 10.

5.3 Results

When designing this thesis, the authors wanted to explore the dynamics and antecedents of internationalization in the alternative finance industry, as the goal was to discover which aspects impacted the choice of internationalization strategy. Therefore, it was natural to start with the actual extent of which the platforms were operating in international or domestic markets as it was useful to explore the arguments of the platforms' choice of internationalizing. The authors found that the factors impacting internationalization were not the same as the factors impacting localization. This provided insight into platforms' motivations, both for localizing and the decision of going international.

When formulating the hypothesis, the authors evaluated how the different variables impacted the degree of localization. In this case, the degree of localization was divided into the three separate categories, which resulted in four different models. Our hypotheses attempted to differ which variables led to a high degree of localization.

Rule of law had a negative association with internationalization, albeit with a weak significance. However, *H7* was rejected due to the fact that the variable was not significant for any of the models analyzing the degree of localization.

The negative association of higher social trust on the degree of localization is supported in the analysis reviewing pure global against the combined model of mixed and fully localized and pure global against mixed strategy. However, in the more detailed analysis, distinguishing between pure global and fully localized strategy, social trust is not significant anymore. Consequently, *H9* is partially supported as the variable is significant in two out of the three significant models.

The investment orientation on crowdfunding platforms is significant in all models, including the choice of internationalize. It positively affects the choice to localize and therefore *H11* is supported. Investment orientation is however negatively associated with internationalization.

Our findings show that geographical distance affects the degree of localization. However, the effect was opposite what the authors had hypothesized. The findings do not support *H8*, stating that *shorter* geographical distance is associated with a higher degree of localization. Our findings indicate that the larger geographical distance influence the degree of localization. Thus, *H8* is rejected. However, when analyzing the extent of internationalization in general, geographic distance had a significantly negative association with going international, confirming previous research on internationalization, and providing further insight into the discrepancies between internationalization and localization.

Hall's high-context culture is significant but contradictory to the hypothesis and with varying degrees of significance dependent on the model. Indicating that when reviewing fully localized against the pure global platforms, the significance is weakened, but the negative relationship is maintained. Thus, *H5* is rejected, which indicates that low-context culture has

an effect on the degree of localization. IT-infrastructure has a significant negative effect on the choice of whether the platforms enter international markets or not. Looking into the degree of localization, IT-infrastructure was not significant in any of the models, leading to the rejection of *H6*. Furthermore, we did not find any significance for either of Hofstede's cultural dimensions nor for the compound variable of cultural distance, resulting in a rejection of *H1*, *H3* and *H4*.

The control variable denoting total euro volume in 2017 was not significant in any of the models presented above. Based on this information, the control variable is believed to not influence the degree of localization on crowdfunding platforms. Economic freedom and in-group collectivism did not fit in the model due to multicollinearity. The control variable of technology hardware did not fit well in the model due to missing values. Hence, *H2* and *H10* can neither be confirmed nor rejected and the industry indicator of technology hardware cannot be controlled for.

6. Discussion

There is a growing tendency of international activities on crowdfunding platforms. This research aimed to understand the factors that influence crowdfunding platforms to localize towards localization strategies in international markets. Of the 11 factors identified in the literature review social trust, high-context cultures, geographical distance and the investment orientation proved to have an effect on localization of crowdfunding platforms.

The crowdfunding environment in Europe is in its infancy. It is innovative, has a start-up nature, and the market has a high growth rate. In such conditions, the considerations of internationalization seem to be geared more towards markets with low competitiveness for a first mover advantage, as indicated by the significant negative association with IT-infrastructure.

From the analysis, the authors found that the factors hypothesized to impact the degree of localization had the opposite effect on the choice of whether or not to internationalize. This can be explained by the fact that an internationalization process has different considerations. When entering foreign markets, crowdfunding platforms prefers markets near the home market. Even though the technological advances reduce physical distance between markets, the process of internationalization is still geographically dependent. This is in line with previous research, indicating a negative association between geographic distance and internationalization (Ojala & Tyrväinen, 2007). Investment orientation also has an impact on internationalization. The analysis suggests that non-investment-oriented platforms are more inclined to internationalize. Non-investment platforms have lower trading volumes and fewer legislative barriers (Ziegler et al., 2019), and are therefore more enabled by - and dependent on - a larger and more international crowd. In terms of trust, internationalization of crowdfunding follows the same patterns as previous research (Cyr, 2008), which implies that crowdfunding is dependent on trust when internationalizing.

In regard to the internationalization process, our analysis discovered that the factors hypothesized to impact localization were not impacting the choice to enter international markets in the same way. For instance, IT-infrastructure had a negative association on the choice of expanding into international markets whereas in the case of localization the variable did not have any significant effect. The negative association on internationalization is in

contradiction to previous internationalization literature (Kogut & Singh, 1988). However, in the crowdfunding context, this connection could be explained by the association between high IT-infrastructure and a more established online market. In such a context, a market with a low IT-infrastructure symbolize a market with lower online activity, hence a less competitive market.

The decision to internationalize is influenced by a country's rule of law. Previous literature on crowdfunding emphasized the existence of regulatory barriers for internationalization (Ziegler et al., 2019), proposing that platforms are more inclined to enter markets with lower regulatory barriers. Complex regulatory frameworks force the actors to adopt to legal institutions more extensively, resulting in excessive use of resources (Borello et. al., 2015). This association may explain why the rule of law did not have any significant effect on localization. In the context of crowdfunding, a market's specific regulatory framework could prove more significant as it is costly and time consuming to evaluate a country's rule of law and thereby also expensive to adapt towards such regulatory frameworks.

In the context of localizing crowdfunding platforms, our findings are in conflict with some previous findings. On online platforms, trust has been found to be a key factor in achieving success (Falcone & Castelfranchi, 2001) and that social trust heavily influences the decision of making investments on crowdfunding platforms (McKnight, et al., 2002; Kang et al., 2016). Our results challenge this theory, showing that countries with high social trust is not a drive when it comes to localizing crowdfunding platforms. Theory has shown that markets with high social trust are beneficial for crowdfunding platforms, as crowdfunding-related information and campaign content ultimately need to get the funders trust in order to receive the support needed (Kang et al., 2016). We argue that greater efforts are put into localization when entering markets with a lower degree of social trust. In these markets, the crowdfunding platforms localize not based on competition against one another, but rather in an attempt to gain consumers' trust. This is observed by the opposite nature between social trust and the decision to internationalize, where social trust is associated with a higher degree of internationalization.

In contradiction to previous literature, this thesis indicates that high-context culture has a negative effect on platforms to localize their content. Because the variable high-context culture and low-context cultures measure two ends of the same dichotomous scale, we argue

that the platforms are more likely to localize in markets of low-context cultures. High-context societies enjoy personal greetings, pictures, informal verbal and personal information about the campaigners (Tigre Moura et al., 2015). From the literature review and our understanding of crowdfunding campaigns, these attributes are absolutely visible and included in successful campaigns (Koch & Siering, 2015). It is speculated to be costly to localize content towards high-context cultures as it is hard to fully understand all the underlying aspects in such cultures. Localizing towards low-context cultures is less resource demanding, as such societies appreciate direct, explicit and non-personal communication. Low-context cultures perceive websites design as independent of personal relationships. This infers that despite crowdfunding literature finding high-context content, such as personal attributes, are positively influencing campaign success (Mollick, 2014), crowdfunding platforms localize towards low-context cultures. This could partly be explained by an intention to be cost efficient and highlights the complexity of the relationship between the crowdfunding campaigns and platforms. In addition, the complete 16-point scale was used in this thesis, to fully capture the construct of high- and low-context cultures. It is argued that using the larger and complete scale might leverage the results.

The prediction that investment orientation had a positive effect on the degree of localization was confirmed. From the literature we found that platforms offering investment models are more regulated than other platforms (Ziegler et al., 2019), however this was not exclusively perceived as a regulatory barrier. We have noted that the backers, campaigners and the platforms reported the regulations as necessary (Belleflamme et al., 2015). In the “Shifting Paradigms” report (Ziegler et al., 2019), and in the sample used in this thesis, there was an overall understanding that the platforms see regulation as a key challenge for the further development of the alternative finance sector in Europe. When examining the association between investment-based models and non-investment activities, there is a strong indication that the platforms perceive the adequacy of the national regulation as important to them (Ziegler et al., 2019). It is therefore expected that platforms localize their content due to local investment conditions. The localization effort is partly due to a required effort from the investment-oriented platforms to adapt to the local regulatory frameworks. Following the higher legal requirements to operate, investment-oriented platforms put more resources into entering a market. The costly process of internationalization for investment-oriented platforms increases the motivation to localize as regulatory demands require local adaptation. We argue that investment-oriented platforms that invest time and resources in

internationalization, benefit from using that acquired knowledge and adapt to the market of operation.

The findings from analyzing geographic distance on the degree of localization is in conflict with the general theories of geographic distance in internationalization (Ojala & Tyrväinen, 2007; Kang et al., 2017). Geographic distance had a positive association with the degree of localization. These findings could be explained by the limited regional scope of the survey, where markets that are relatively close are perceived to be similar. In the European context, neighboring countries could perceive themselves so similar in all respects, that an internationalization will not entail any changes. This is especially evident in countries that share the same language, like Belgium and France, and Germany and Austria. Geographically distant countries within Europe are perceived to be different, but still close enough for the platforms to invest time and effort to internationalize. Increasing the geographic distance and scope of the survey could produce a different result in terms of the positive association. Our findings in terms of internationalization is however, in line with previous findings (Clark & Pugh, 2001). This further emphasizes the distinct difference between factors impacting internationalization and localization, suggesting that localization is an active decision to compensate for disparities between the home market and the market of operation.

Considering previous crowdfunding literature (Cho & Kim, 2017), it is surprising that in this study, Hofstede's Cultural Dimensions have no significant association in predicting neither internationalization nor localization. Previous research suggests that culturally customized websites are important for cultures with high levels of uncertainty avoidance, individualism, collectivism and cultural distance (Ko, Seo & Jung, 2015; Burgmann, Kitchen & Williams, 2006; Cho & Kim, 2017). We suspect some reasons behind the rejection of uncertainty avoidance, individualism, and cultural distance as influencing factors. Hofstede's construct of uncertainty avoidance is based on an individual's attitude towards risks. In the case of crowdfunding the individual's risks and attitudes have decreased their meaning, as the fundamental concept is that a large group of people support a project with small investments, thus decreasing the risk of loss and lowering the uncertainty around crowdfunding itself. We attribute the non-significance of individualism to the conflicting nature of crowdfunding on the internet, where crowdfunding is a collective exercise, whilst exploring innovations online is attributed to highly individualistic societies (Gong et al., 2007).

The lack of significance of the compound construct of cultural distance could be explained by the strategic context of the localization of crowdfunding. Previous research on cultural distance has produced contradicting results in regard to context. Greater cultural distance has a positive influence in the situation where the website was an extension of an existing offline presence (Shneor, 2012). In the context of a general internet-based sample exploring entry-strategies the localization was negatively influenced by cultural distance (Rothaermel et al., 2006). The crowdfunding industry separates from both these contexts and results, finding that cultural distance is not a significant factor for localization of crowdfunding platforms.

We discuss that an alternative explanation for the lack of significance of uncertainty avoidance, individualism and cultural distance may be because the effort directed to localize the platform content is aggregated at a social-group level rather than at an individual level. Hence, building on the fact that crowdfunding is based on collective actions to fund projects, cultural dimensions may play a greater role in personalization of crowdfunding services in the future.

Previous literature has investigated the convergence of cultural expressions online (Robbins & Stylianou, 2010), as well as industry differences (Singh, Toy & Wright, 2009). Both studies find that cultural expressions within industries are weaker than the total cultural expression online. These findings could be connected to the strategic context the crowdfunding industry finds itself in, being a growing industry, where legal barriers and institutional concerns appear to be more prominent concerns than adapting to cultural differences. This might also explain the lack of significant predictors for the individual cultural aspects in the market. Measures taken to adapt websites for cultures with a high degree of individualism or uncertainty avoidance might not be prioritized in the context of crowdfunding.

Discussing the impact of context in this research, we want to highlight the relevance of internet for the crowdfunding industry. The platforms "...allow entrepreneurs to overcome physical boundaries and reach out to the global public." (Kang et al., 2017, p.336), this ability is enabled by the internet. Previous studies have found diverging results between companies with an offline presence, and companies operating exclusively online (Rothaermel et al., 2006; Shneor, 2012). Crowdfunding platforms in this context are "born online" and

exist in an industry that seemingly does not focus on market differences, but rather in conditions that are supportive towards innovation and alternative financing.

This could also be part of the explanation as to why the analysis finds differences between pure global and the combined variable of mixed strategy and fully localized, as both variables in the combined variable have made some localization effort, perceiving the cost to be acceptable. Another aspect of the cost-reduction argument of localization of crowdfunding platforms is the overall market maturity. Seeing as the internationalized European crowdfunding market is undefined and still growing with high variance in regulations and market size, the majority of the industry might have a risk- and cost-reducing perspective on internationalization.

We also wanted to clarify that this study includes a larger sample compared to previous studies, which is considered to be a possible reason for the contrasting results on the cultural variables (Cyr, 2008; Faisal et al., 2017). Moreover, we argue that the crowdfunding platforms consider market access as more important than localizing to specific cultural differences as cultural adaptation cost more than it gains. Accordingly, we consider the context of this research to be of great impact on the cultural variables' significance.

The variable of economic freedom and collectivism were excluded from the analysis due to multicollinearity and are yet to be explored. Even though Singh, Kumar & Baack (2004) explained how websites usually are designed to build relations through communities, social networks, pictures and loyalty programs, we were not able to predict if collectivistic cultures impact localization. Doing this research, we speculate that the economic conditions in a country may have a mediating effect rather than a direct effect which should be addressed in the future.

7. Conclusion

This thesis aims to capture the extent of the localization in the European crowdfunding industry. To the authors' best knowledge, this master thesis is the first to specifically examine the causal effect of culture, geography and institutions on crowdfunding platforms decision to localize. The contribution of applying cultural and international strategic aspects to the crowdfunding literature demonstrates how complex the alternative finance industry has become. Existing contributions in the literature of crowdfunding explore aspects of crowdfunding, including the crowdfunding process, success rate, funder's motivation and comparative studies of single markets. Lack of previous research on localization strategies in the context of crowdfunding gave us few directions or indications of associations, making any contributions to this field substantial.

This thesis has found that crowdfunding platforms have different requirements concerning the decision to internationalize, as opposed to decisions to adapt to local markets. Platforms which choose to enter foreign markets are motivated by the reduction of costs and easily accessible markets with lower competition. Among the platforms that decided to internationalize, the factors and associations changed directions or lost significance. Consequently, the decision to localize crowdfunding platforms are influenced by the need to build trust, the need to adapt to local regulations and the need to meet markets of large geographically distance. It is also concluded that cultures of low-context affect the decision to localize online crowdfunding platforms.

The crowdfunding industry is of particular relevance due to the reliance of collective actions, the innovativeness of service and lack of existing research. This study provides insight into the relevance of different industries, as we were not able to establish any connection between Hofstede's cultural dimensions nor the compound variable of cultural distance on localization in the context of crowdfunding. These results are contradicting to earlier research, and we argue that it is because of the specifics of the industry of crowdfunding. We also propose that efforts directed to localize platforms consider market access to be more important than cultural adaptation. Accordingly, we assume that the crowdfunding industry use a cost-effective strategy to expand into new markets. The lack of significance of Hofstede's dimensions indicate that crowdfunding platforms still have a long way to go when adapting their platforms to local cultures.

8. Limitations and Future Research

Writing this thesis, some limitations should be discussed. In regard to the study's dependent variable, the degree of localization and investment orientation are both self-reported data. It leaves room for errors that could have been corrected with a more in-depth and more industry-specific concept of localization. Due to the lack of such in-depth concept of localization, this thesis gives a less detailed insight into what crowdfunding localization entails for individual websites and design. The level of correlation between the content analysis and the self-reported internationalization strategies indicates that not all platforms have the same level of localization as reported, suggesting that the dependent variable of localization should rely more on content analysis rather than self-reported data in further research.

With respect to the regulatory measurement, the authors reckon that the scale used is not sufficient enough in an industry which is highly concerned with regulatory variations. The variable rule of law should be of a construct designed to better reflect the crowdfunding regulations and requirements.

This thesis is limited by using only one control variable. By not controlling for industry indicators, the insight into the industry differences were absent. Such insight would be useful to investigate in further research in the alternative finance industry.

This study is an analysis of the macro-level influences on localization of crowdfunding websites. It does not take firm-level variables into consideration. This leaves us with a larger data sample, but less insight into what drives localization at an individual level.

Consequently, this thesis opens up for more in-debt research into the micro-level field of the localization of crowdfunding institutions. An industry-specific construct could improve the insight into how and why crowdfunding platforms localize, outside of the dimensions included in this study.

Crowdfunding is a modern and fairly new phenomenon which has a high, consistent growth rate and in the industry still has several aspects to further explore. First, it would be useful to develop a model that would include collectivism and freedom of economy as this thesis was not able to analysis these constructs. Particularly the level of regulatory framework is

mentioned in the “Shifting Paradigms” report (Ziegler et al., 2019) to be the most important risk affecting all crowdfunding models. Looking further into the European market, a comparison of the members of the EU could provide better insight into the regulatory impact on localization. Especially after Brexit, the regulatory barriers would be interesting for further research.

Lastly, this study only gives a snapshot of the industry and is centered around the European mainland alternative finance market. Comparing the more developed and larger alternative finance markets, such as the Asian and American markets, to European alternative finance markets might produce different answers and a more in-depth study of the degree of localization on crowdfunding platforms.

9. References

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Appendix A: Reflection Notes

In the following, we will present our reflections from writing this thesis. The reflections are drawn in connections to the topics of internationalization, innovation and responsibility.

Reflection note: Heidi Stengårdsbakken Aakre Juvik

This reflection discusses how I have used the knowledge I have gained throughout the master program at the University of Agder. Firstly, a summary of this master thesis were the main purpose and findings is presented. Secondly, a reflection of international trends that is relevant in connection with this thesis, followed by an overview of how this thesis ties with the topic of innovation and responsibility.

Summary of Thesis

This thesis outlines the current state of existing literature regarding online localization decisions and internationalization strategies for online platforms. Businesses all over the world face a dynamic, complex and wide range of opportunities to expand into new markets, and this is also true for crowdfunding platforms. In both the “Expanding Horizons”- report (Ziegler et al., 2018) and the “Shifting Paradigms”- report (Ziegler et al., 2019) presented by the Cambridge Centre for Alternative Finance, the growing levels of cross border transactions and the platforms’ internationalization were highlighted as a topic of interest. The contribution of applying cultural and international strategic aspects to the crowdfunding had a gap in the literature and demonstrates how complex the alternative finance industry has become.

This thesis aimed to capture the extent of the localization in the European crowdfunding industry, hence we chose to do a quantitative research method based on 470 observations of platform-country dyads collected from 269 European crowdfunding platforms. Supplemented by additional sources of macro level indicators such as UN reports, the economic freedom index and other large referenced theories, we were able to do a distinct analysis of the European crowdfunding market. The unique use of social networking and social capital over the web makes it indeed important to look into strategies that facilitates to cultural adaptation when entering cross-border markets.

Out of the thesis eleven hypotheses, social trust, geographical distance, high-context culture, rule of law and the investment orientation on platform have an effect on the decision to localize the platforms. We got some surprising results, as neither IT infrastructure nor the cultural dimensions of individualism, uncertainty avoidance, as well as a compounded variable of cultural distance were of any significance. Accordingly, we considered the context of this research to be of significant impact as cultural adaptation has been highlighted to be one of the key factors to succeed in foreign markets for other industries. We argued that the crowdfunding platforms consider market access more important

than localizing to specific cultural differences as cultural adaptation cost more than it gains. Meaning that the crowdfunding industry still is at an early stage with less money to invest resources into cultural knowledge. We also considered our significant variables to localize for efficiency purposes, as a result of the internet's impacting role to reduce the pressure to conquer highly competing markets. Indicating that market access triumph rivalry in the context of crowdfunding.

International Trends

Clearly, this thesis follows international trends as the whole paper is built upon the fact that crowdfunding platforms have multinational audience and thereby how international orientation affects the platforms decisions to either adapt to market of operation or use a standardize approach.

The unit analyzed in this thesis is European crowdfunding platforms, and both international and domestic oriented platforms are included. During my time at the University of Agder, we have learned a great amount about international forces and those forces impact on the business environment. Maybe the most important lesson is that companies need to make strategic decisions in order to achieve competitive advantages in highly competing markets, and that global knowledge and experience are considered to be an ultimate resource when targeting markets outside the home country.

Political, economic and socio-cultural factors are the most common factors to assess before entering international markets. That is why we chose to research political aspects through rule of law and IT infrastructure, economic developments and several socio-cultural attributes including both Hofstede and Hall's theories. Furthermore, we also indicate that future research should involve the regulatory framework for crowdfunding platforms in different countries, as this thesis was not able to fully capture this through our variable *rule of law*. Crowdfunding is a service offered in a highly regulated industry and the international operating environments will thereby be of great significance, which also is discussed in our thesis.

Innovation

Alternative finance is one of the latest industries emerged as a result of the growth of inter-connectivity over the internet. Crowdfunding was first composed in 2006 and the growth rate for the European alternative finance market is high. This alone indicates an industry based on innovation. But the crowdfunding industry is not only based on innovation, it also facilitates innovation. One of the biggest challenges for entrepreneurs and innovative projects is the lack of steady financial support. Taking the specialization within international management, I have been a part of several courses of

entrepreneurship and innovation. Throughout all the project-based assignments, the financial statements have been the biggest issue every time. It is hard to attract investors when being a small start-up. Crowdfunding ease the process of start-ups, by collective pool small amount of money together, several people are now able to invest in or support the efforts of others, closing the gap of financial issues. With the service of crowdfunding, entrepreneurs are able to receive the funding the need without searching for investment from large corporations that they probably are not getting anyways.

Furthermore, crowdfunding is found to be less biased towards minorities in the society than traditional investors are. Especially women, people with disabilities and people with foreign background are left out of the entrepreneurial environment both as entrepreneurs and as investors. Crowdfunding is built upon social ties and smaller investments form larger group of people, which invites all people of all kinds to be investors or start their own business.

In addition, crowdfunding campaigns make it possible to test the product or service in the market before launch. Making it easier to do the changes needed to fully succeed with the innovative ideas. Crowdfunding campaigns also promote the projects as a part of the funding process. This opens up for engagement within the customer group, creating an excitement of the product or service even before it enters any market. Which might be called “free-marketing” activities. More services and products in the market will in the long-term increase a country’s GDP and consequently the economic growth.

One last reflection I made about the innovativeness with crowdfunding, is how crowdfunding changes the idea behind one ownership. Equity-financing opens up for the possibility for multiple owners, which may change the structure of business model. For example, if all employees own a company share, maybe they would feel more obligated to deliver high value on time and care more about the balance sheet.

Responsibility

All three parties are responsible for ethical operation. Specially for the crowdfunding platforms, being responsible is required to even operate. The platforms need to follow the regulatory frameworks and the more responsible the platforms are, the higher trust will the campaigners and the backers have. Trust has been a key factor to succeed with campaigns, but also a reason for campaigners to choose the right platform. Also, the institutions in the country of operation are responsible to produce regulations that protect the campaigner’s and backers’ rights.

Furthermore, all parties involved in the crowdfunding process are obligated to make, offer and support campaigns that involves good products and services. For instance, some people might use crowdfunding to finance and unethical goods or organizations. For example, donating money for a social cause and that the money in reality goes to something else like the organization's administration or in the campaigner's private bank account. In such cases, there are important that the platforms have responsible management, as they serve as intermediators, that take those campaigns down and block such bad influential campaigners.

Lastly, I also want to highlight the responsible our government has to use this innovative solution to fund new projects, services, products and ideas. Institutions are one of the most important variables to facilitate economic growth, and what better way to increase the goods and services produced in a country than crowdfunding. Hence, I believe that the governments all over the world are responsible to create markets that facilitate all the great opportunities that crowdfunding gives, both through regulations and initiatives.

Reflection note: Roar Frivold Skotte

Introduction

This reflection note summarizes the topics, research and findings of our thesis; “Localization of Crowdfunding Platforms: The Influencing Role of Culture, Geography and Institutions”. In addition, the reflection note aims to highlight the thesis’ relevance to three key topics in international business, internationalization, innovation and responsibility.

Summary

The alternative finance industry is in an exciting stage in mainland Europe, having the highest regional growth in the world. It’s growth is both based on growth in local, and cross-border markets, implying a growing internationalization of European crowdfunding platforms. As crowdfunding grows more popular, the crowdfunding platforms must attract new customers to their platforms. One way of doing so is adapting to their local markets through *localizing* their online webpages. This master thesis explores the factors impacting the degree of localization of crowdfunding platforms.

Based on a thorough literature review, we discovered several factors that were found to influence localization in other industries. The most prominent factors were three of Hofstede’s cultural dimensions, Individualism, Collectivism and Uncertainty avoidance. In addition, Hall’s low- and high-context cultures were repeatedly found significant in localization. Other market-factors included -based on former research- the rule of law, geographic distance, cultural distance, IT-infrastructure, social trust and freedom in the economy. Seeing as the Alternative finance industry is in its infancy, we also wanted to investigate industry-based variations and differentiated between investment-oriented crowdfunding platforms and non-investment platforms. This resulted in 11 hypotheses. When investigating localization in the alternative finance industry, we utilized a comprehensive data-set of crowdfunding platforms operating in mainland Europe. This data-set was granted to us by the Cambridge Centre for Alternative Finance under the precondition that we added to the existing data-set with our own observations of localization and cultural aspects of the home- and operating markets of the crowdfunding platforms. In addition to investigating the degree of localization, we wished to utilize the full data-set and uncover underlying factors for the internationalization of the crowdfunding platforms based on the variables hypothesized to influence localization.

Main findings and conclusions

Of the 11 hypotheses presented in the thesis, we found a significant association between the independent variables social trust and investment orientation and the degree of localization. Operating markets with low-context cultures were also positively influencing the degree of localization, this was however contrary to what was the hypothesized direction. The same finding goes for geographic distance, where the positive association was in conflict our hypothesis. The cultural dimensions based on Hofstede were not significant, neither were the variable *cultural distance* based on a compound value of all six of Hofstede's cultural dimensions. The two variables economic freedom and in-group collectivism were excluded due to multicollinearity.

In regards to what factors impacted internationalization, factors such as the rule of law, IT-infrastructure and investment orientation behaved contrary to their hypothesized association with the degree of localization.

The findings of this master thesis suggests a difference between underlying factors influencing internationalization and localization. Market indicators for internationalization was influenced by a cost-saving perspective. Whilst factors influencing cases of localization were influenced by a need to gain trust, compensate for geographic distance and adapt to local regulations in the market.

Internationalization

This thesis focuses primarily on one specific internationalization strategy, *localization*. In addition to that it explores underlying reasons for the internationalization of crowdfunding. Our findings infer a distinct disparity between the decision to internationalize and localizing, suggesting that even in growing and young industries, organizations are conscious in their international strategic decisions.

Crowdfunding is a good example of technology-enabled internationalization. Considering that internet domains are rarely region-locked, the content of a crowdfunding platform is international by default. The widespread interest and use of these platforms indicate a real need among customers and businesses to find alternative financing in today's financial markets. The enormous popularity of crowdfunding in China, a country with strong regulations on internet-use, indicate a desire from both the consumers and the authorities to

improve the financial systems. In Europe, the un-developed market could indicate a functioning financing system that meets the needs of upstart businesses through tax-incentives and government funded start-up programmes, or it could indicate that cross-national transaction regulation is considerably underdeveloped.

Without the proper permits and regulations, international contributions are limited. Internationalization is in part shaped by international and cross-national legislation, as is reflected in our study, where regulation is perceived as one of the larger barriers, both to doing business and to internationalization. The simultaneous growth of the alternative finance industry and globalization will increase the need for international financial regulation to meet the expectations of consumers.

Innovation

In some way, every new crowdfunding platform is filling a gap in the existing financing market. Given the immature nature of the alternative finance industry, the process of developing a platform is more of an innovation-process than anything else, and in this lies also the internationalization-process of the platforms.

Identifying factors influencing the internationalization processes of a young and growing industry, thus serves as a way to categorize how this industry reacts to external, macro factors. Our findings suggests that culture played little part in the localization process of internationalizing platforms, this result converges from previous findings in localization research, and could be explained in the lack of resources and concern with taking culture into account. The innovative industry seemed more concerned with regulations, and accommodating for the lack of trust in their

A finding this thesis shows is the broad extent of 'local' crowdfunding platforms, even though the international and localized crowdfunding platforms were the focus of this thesis, an evaluation of each market revealed that most markets also had their own native crowdfunding platforms. This points to the regional need of innovation in finance, across the borders of europe. And considering the high growth rate of certain european markets and the European market as a whole, the need is far from met. In one area where little concentrated effort has been made, is in the crowdfunding for public goods or services. In some cases, this might pose a question of the functionality the local government and democracy. But in places such as Switzerland, who are accustomed to a more direct democracy, a crowdfunding of a

school's restoration could be easier to accept as good emergency policy. The retail industry is an industry in need of innovative solutions, if they are to survive online resellers. Especially in the cases of fashion. Introducing a crowdfunding-function into the traditional fashion houses, where enough investments into one item results in its market introduction could invigorate consumers.

Responsibility

As with all innovative and immature industries, there are some systematic faults, and some moral hazards. This thesis does not delve deep into the topic, but based on the findings, there are at least two topics that arises, that are worth discussing. They are the sizable amount of consumer-lending platforms, and the finding that crowdfunding platforms prefers markets with weaker regulations.

Arguably the most profitable crowdfunding models were the ones with the largest market volumes. In the thesis, 30% of the platforms were lending based, but they accounted for more than 60% of the market volume. Lending in general is strongly regulated, and consumer lending in general is arguably sensibly and strongly regulated. Lending-based crowdfunding platforms grants loans to businesses and persons that are unable or unwilling to apply for loan from traditional banks. Granting loans to such actors requires a scrutinizing that some countries, like Norway, are not confident that crowdfunding platforms are capable of yet.

A reaction to the strong and sometimes unpredictable regulative requirements from governments, influences crowdfunding platforms to consider international markets with lower regulative barriers when they consider internationalization. Crowdfunding platforms are businesses, and as such are justified to evaluate which legal environments and institutional frameworks are most beneficial to their business model. However, internationalization requires ethical considerations. Is it ethical to exploit institutional weaknesses in the financial regulations of a market for an easier market entry? However, the alternative finance industry also forces institutions such as the EU to consider the globalization of finance, removed from classical banks and financial institutions. After all, the growth of alternative finance symbolizes a need, both for -if not more- better regulations, and a more inclusive financial market.