

# Shared Value Creation and Crowdfunding in Brazil

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## ABSTRACT

**Objective.** Approaching the theory of creating shared value (Kramer & Porter, 2011) with the basic social elements of crowdfunding in Brazil. The idea was to explore the complementarity of the concepts governing the CF in line with the theory of Porter and Kramer. Through literature review and empirical discussion is intended to answer two central questions regarding the theme developed in this essay: i) which elements of the theory of creating shared value are found in crowdfunding? ii) how occurs the creation of shared value in business developed in crowdfunding platforms?

**Methodology.** Theoretical Essay.

**Findings.** It is possible to make a theoretical approach of the themes studied in this trial, as we take the social and financial perspective of crowdfunding and their relationships with the creation of value for the company and investors.

**Originality/Value.** So far, was not found another study that addressed the themes of this essay in Brazil.

**KEYWORDS:** Theory of Creating Shared Value, Crowdfunding, Adding value, Economic and social value.

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## 1 INTRODUCTION

The theory of Creating Shared Value (hereinafter CSV), was developed by Porter and Kramer in 2011 and said that the competitiveness of a company and health of existing communities around them, are mutually dependent. This perspective highlights the importance of recognition and capitalization of these connections between social and economic progress, constituting the power to trigger the next wave of global growth and redefinition of capitalism (Porter & Kramer, 2011).

According Porter & Kramer (2011) there is a clear difference between Corporate Social Responsibility (CSR) and CSV, just think of the companies that are profiting while addressing relevant social issues, instead of doing only good social reports and actions to improve its reputation. The CSV is presented as an approach to operationalize a new form of relationship between business and society, that is, it develops the Shared Value of Capitalism.

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It is observed in recent decades that the business conducted by the various companies active in the global market, are seen as a major cause elements of social, economic and environmental problems. Porter & Kramer (2011) show that these companies are thriving at the expense of society, but there is a new form of social interaction that is able to handle this scenario.

Drucker (1994), introduced the concept of Post-Capitalist Society, which was already present and used the free market as proven mechanism of economic integration, where companies of capitalism survived, although presenting and playing distinctly different roles. Thus, the company's role can be expanded to a more social purpose, while corporate profits increase when the socio-environmental responsibility actions align with its core business (Porter & Kramer, 2011).

The shared value can bring innovation and growth to different types of business, reconnecting companies to financial success with the gain of moral recognition on the communities that surround it (Porter & Kramer, 2011). In this perspective of creating shared value and business sustainability, Crowdfunding (hereinafter CF) appears as an interesting alternative for society, by enabling the CF without the action of financial intermediaries. Mollick (2014) assert that it is a virtual phenomenon that finances, collaboratively, several projects and/or businesses, which can be cultural, personal, sustainable, social or for creating a product. Belleflamme & Lambert (2014) add that it is an innovative model to finance businesses.

In this type of business, several people contribute with small amounts (depending on the project) to make possible something that would not be possible if it were carried out individually. This in a sense, takes the form of acquisition of capital, loan or donation. In this type of financing does not exist intermediary (financial institutions, angel investors, venture capital, etc.) themselves entrepreneurs manage donations for their projects directly from other people, usually through the internet (Schwienbacher & Larralde, 2010; Giudici, Nava, Lamastra, & Verecondo, 2012).

According to Schwienbacher & Larralde (2010), people participate in this type of collective business, not out of obligation, but by the voluntary arrangement. However, in some cases, those involved realize some kind of reward for their donation, what can be seen, in most cases, is sharing tastes, interests and passions in common donor (personal ties). Thus, in CF occurs a self selecting of projects, namely the project promoters themselves, end up also making donations to fund other projects through the virtual platforms. What matters, in fact, it is trust and credibility among stakeholders.

Considering this opportunity for reflection and contribution to the literature, this paper aims to approach the theory of creating shared value Porter & Kramer (2011) with the basic social elements of CF in Brazil. The idea is to exploit the complementarity of the concepts that govern the CF in line with the Porter

and Kramer's theory. Through literature review and empirical discussion, is intended to answer two central questions regarding the theme developed in this paper: i) which elements of the theory of creating shared value are found in CF? ii) how occurs the creation of shared value in business developed in CF platforms?

This study is justified by the fact of have not been found texts that deal with this issue in the literature, and the importance it represents for companies and people, considering the evolution of financial relations, trade and market. Porter & Kramer (2011) claim that the initiatives in creating shared value are incipient and require a deeper look, as this theory may trigger the next major transformation of management thought.

The topic deserves special attention from researchers because of the potential use of this financing over the internet and also by the fact that some countries have financial institutions partnering with CF platforms to ensure the seriousness of the business and more reliable designs (Belleflamme & Lambert, 2014).

## 2 THEORETICAL AND EMPIRICAL REVIEW

### 2.1 Capitalism Shared Value

Drucker (1994) makes a historical approach to the transition from a capitalist society to a global community that holds the knowledge as a valuable base feature. One of the contributions of this approach was the paradigm shift where the roles of governments, organizations and society was corrupt in the world. That thought combined with the great revolutions that the world society has, is the development of trade and financial relationships over time.

According Porter & Kramer (2011) the inclusion of social issues in the strategy and operations is the next big change in management thinking, in which the information is used to discover and meet the social needs not covered. Drucker (1994) points out that several companies admit various business settings to meet the diverse needs of society.

In the words of Porter & Kramer (2011), "The capitalist system is under siege. In recent years, business activity has been increasingly seen as a major cause of social, environmental and economic problems." These authors express the widespread perception of disproportionate prosperity (and malicious) of the companies in relation to the communities that surround it. For them, a large part of the problem lies in the fact that companies use outdated concepts regarding the generation of value. The short-term financial optimization, coupled with the failure to comply with the needs of clients and communities make that natural resources are depleted and the social well-being of people is reduced.

The solution to this problem as stated by Porter & Kramer (2011), is in the

principle of creating shared value. This principle, presents a way to generate economic value for businesses as well as value for society by addressing social needs and challenges. These authors point out that we need to reconnect business success with social progress. Those who think that shared value is Social Responsibility, Sustainability or Philanthropy actually for Porter & Kramer (2011) is a new way of achieving economic success.

Social, economic and financial needs can redefine and reorganize market relations and in this perspective, the shared value enables innovation and growth to corporate business, linking businesses to financial success with moral recognition of the communities that surround it (Porter & Kramer, 2011).

The Shared Value guides the company in accordance with the appropriate kind of profit, which leads to social benefits rather than reduce them. Capital markets continue to pressure companies to generate profits in the short term and some of them will continue to extract profits at the expense of society. However, such profits are brief and more favorable opportunities will be wasted (Porter & Kramer, 2011). A more social form of capitalism is needed, where it is not forgotten the social scope of the companies. However, this scope should not come as benevolent act, but as a remarkable knowledge of competition and generating economic value. According Porter & Kramer (2011) this new evolution of the capitalist model identifies new and more sophisticated production methods, develop more competitive companies and it will meet with greater sophistication to the market.

Capitalism despite various criticisms made by the Socialists, has shown an interesting ability to adapt to new scenarios, whether due to technological progress, the existence of alternative economic models or growth of complex international relations.

According to Porter & Kramer (2011, p.4), “Capitalism is an unparalleled vehicle to meet human needs, to improve efficiency, create jobs and build value,” however, a reduced conception of capitalism made it impossible for companies to reach the huge potential for provision of social utilities. For Capitalism Shared Value, one of the ways to optimize the social utility of a company is the promotion of sustainable development. This concept can be understood according to the definition of Camargo (2005). The author states that it is a process of transformation in which the exploitation of resources, the direction of investments, the orientation of technological development and institutional change are in harmony and reinforce the present and future potential of generations in order to meet human needs.

The Sustainable Development (SD) can be contemplated in the balance of three pillars: Economic, Social and Environmental. The first, according to Elkington (2001, p.77), “highlights the entrepreneurial profit, which is obtained through the financial results and numerical calculations.” For the author, the capital of an enterprise can be understood as the difference between its assets

and its liabilities, which may be obtained in two main ways: physical capital and financial capital.

The second, as indicated Elkington (2001), “deals with human capital, in the form of health, skills and education, but should also cover broader measures of health of society and the wealth creation potential.” Some theorists call this prospect of “long-term sustainability”, which denotes the relationship between businesses and consumers. And lastly the third, which highlights the environmental aspects. Elkington (2001, p.83), reports that companies need to know how to make the right assessment of their sustainable actions and, therefore, need to know what is natural capital (renewable or critical).

This concept (natural capital) will enable companies to identify which forms of natural capital affected by its operations; make a correct assessment of sustainability; level of stress caused and disturbance to the overall balance of nature. Companies must redefine its purpose for the creation of shared value, not just for profit itself, in addition, the company’s purpose should be redefined as the generation of shared value, not only profit from the order itself. According to Porter & Kramer (2011), “this will fuel the next wave of innovation and productivity growth in the global economy and will redefine capitalism and its relationship with society.”

The expectation that companies should contribute progressively to sustainability arises from the recognition that businesses need more stable markets, involving skills and technological expertise, financial and key management to enable the transition towards sustainable development (Elkington, 2001).

Another way to optimize the social utility of the company is through the Corporate Social Responsibility (CSR). Drucker (1994) pointed out that this was the way to be followed by the Post-Capitalist Society. For some authors, CSR is a set of socially responsible behavior in the ethical sense.

Social action (CSR) well-conducted can ensure to any enterprise a relevant position in the society in which it operates. This is a decisive factor in the “corporate self-preservation”. With revamped image and depending on the results of the social initiatives financed by it, the company may become more known, consolidated and have higher sales. Its products, services and, most importantly your brand gains greater visibility, acceptance and potential. With a strengthened corporate image, subjected to reduced risks, the company channels its search for competitive factors such as price, quality, brand, service and technology (Froes & Melo Neto, 2001).

Lastly, Shiller (2013) considered that capitalism is changing, and that currently it comes to reciprocity, that is, our solidarity potential is increasingly touched. Companies today, in addition to being practicing more intensely the SD and CSR, are seeking support and even CF to develop along with society (and government), its business activities. It is noticed that for the earliest they may be, these initiatives demonstrate the intention to promote the creation of

shared value for both the company and for society.

### 3 CREATING SHARED VALUE THEORY

Creating shared value is to Porter & Kramer (2011), a new approach to management. “It’s not philanthropy but a behavior dictated by self-interest, seeks to generate economic value by creating social value.” They claim that the concept of shared value recognizes not only the conventional economic needs, thus redefining the entire market. For these authors, this theory recognizes that social unrest could create internal costs for companies and businesses should in any case face these disorders with new technologies, operations and management methodologies, thus able to succeed across the limitations of society and its ills. “The shared value therefore has nothing to do with personal values. Neither has to do with the sharing of the value already generated by the company (redistributive approach). It is, rather, to increase the total economic and social value” (Porter & Kramer, 2011).

Porter & Kramer (2011) initially presented the idea of Shared Value Creation (SVC). For them innovation and collaboration among the various stakeholders (government, business, civil society and NGO’s) are principles of shared value. However, the SVC can not be confused with CSR. The main basic differences between these two social perspectives are described in Table 1.

Business and society often have conflicting interests, but the SVC shows

**Table 1:** Basic differences between CSR and SVC.

CSR	SVC
Value: doing good	Value: economic and social benefits in line with the cost
Citizenship, Sustainability and Philanthropy	Creation of mutual value between company and community
Discretionary	An integral part of the competition
Divorced from maximizing profits	An integral part of the maximizing profits
The impact is limited according to the Social Responsibility budget	Realignment of the entire company budget
External reports set the agenda	Internal reports set the agenda
E.g. model fair trade	E.g. transformation on of acquisitions to improve yield and quality

*Note:* Adapted from Porter & Kramer (2011).

the opposite. This is partly because economic scientists have legitimized the idea that to provide social benefits, companies must contain their financial success (Porter & Kramer, 2011).

Prahalad (2006) argue that companies should focus on globalization strategies through the perspective of an inclusive capitalism. Thus, companies with their resources and persistence to compete at the base of the economic pyramid, can benefit from rewards that involve growth, profits and numerous benefits for humanity. The Shared Value Creation occurs in three ways according to Porter & Kramer (2011): i) new conception of products and markets; ii) redefining productivity in the value chain; and iii) local development of a cluster. Porter & Kramer (2011) state that the beginning of the value creation occurs for a company when it can identify all the needs, advantages and disadvantages that can be associated with its product/service. In other words, as the company's activities afflict society.

The redefinition of the value chain involves several social issues such as water use, raw material, health, safety, working conditions and equality at work. Thus, the opportunities for SVC arise due to the fact that the financial costs of the company's value chain can be generated by social problems (Porter & Kramer, 2011).

According to Porter & Kramer (2011), "no company is self-sufficient. The success of any business is affected by business support and the infrastructure surrounding it. Productivity and innovation are strongly influenced by clusters." This assumption highlights the company's need to be attentive to the reality of the community in which it operates. Based on these arguments, the SVC denotes a new model of capitalism, better suited to meet the current needs of the Neoclassical Capitalism (Porter & Kramer, 2011).

In the case of CE, the shared value occurs when people, often unknown, support the cause of a company or a project and decide to invest to make it happen. This type of financing, the focus is not only profit but sharing of creative ideas through supportive resources and sustainability.

As they argue (Porter & Kramer, 2011), if every company did their individual search for shared value connected to their specific activities, there would be the service of the greater social interest. Reinforcing this idea, the authors argue that this way, companies would obtain legitimacy in the perception of the communities in which they operate and would be generating economic value (sustainability of its business) and social (sustainability of social actions).

Starting from the premise that not all profit is equal, Porter & Kramer (2011) observed that the profit that involves a social perspective, it is actually a new form of capitalism. This form can lead the company forward more quickly on economic, financial and social issues, allowing to obtain elements that ensure the sustainability of economic and social prosperity of profit.

The creation of value has as a catalyst compliance with applicable law

and ethical standards. The opportunity to generate economic value through social value will be one of the largest and most powerful drivers of global economic growth. This mindset, shows actually a new way of understanding customers, thinking about productivity and the externalities that influence business success. The satisfaction of human needs and market, can generate competitive advantages for businesses and for the market (Porter & Kramer, 2011).

## 4 CROWDFUNDING (CF)

### 4.1 General aspects

Capitalism must be constantly updated through innovation, in order to serve its purpose for society. The CF is a sort of investment bank, acquiring virtual form, and allows small investors to buy a small stake in a company Shiller (2013).

In this type of financing is perceived that there is a value share. For small entrepreneurs and their projects, there is financial value, and for the sponsors or supporters of causes, there is social value. According to Shiller (2013), that CF is a public instrument that leads to democratization of finance.

CF helps in promoting social entrepreneurship, democratization of innovation and reduces the inefficiency of financial intermediaries (Lehner, 2013, Mollick & Robb, 2016, Hernando, 2016, Fleming & Sorenson, 2016). In addition to being considered a private financing option, CF has also been used in the public sector and the trend is that this further consolidate this new funding model (Lee, Zhao, & Hassna, 2016).

Another important feature to be observed in CF is its amplitude. Agrawal, Catalini, & Goldfarb (2011) state that this type of financing is able to reduce the financial and social frictions arising from traditional economic relations. The use of virtual platforms allows a strong reduction of information asymmetries between entrepreneurs and investors (Agrawal et al., 2011, Harrison, 2013, Qiu, 2013, Belleflamme, Lambert, & Schwienbacher, 2014).

According to Schwienbacher & Larralde (2010), it is about financing a project or company by a group of individuals rather than professional institutions (banks, venture capital and financial angels). It is a kind of financial transaction (financing) without the action of commercial intermediaries over the internet.

As pointed Belleflamme & Lambert (2014), The CF has implications that go beyond the financial aspect, such as: marketing and dimension of informational signage. The interest in this funding type arises in internal and external motivations of participants and the monetary compensation with benefits for the community.

Lambert & Schwienbacher (2010) deepened the definition of Crowdsourcing developed by Kleemann, Voß, & Rieder (2008) and reported that the CF is an



open invitation, primarily through the Internet, for provision of financial resources in the form of donation, reward, voting rights or similar initiatives.

It is known today that there are four generic models of CF and that they all work on virtual platforms that enable the achievement of business. The first is the rewards-based model; the second is the model based on donations; the third on small loans and the fourth and last, the model based on purchasing shares of a new company (De Buysere, Gajda, Kleverlaan, & Marom, 2012, Belleflamme & Lambert, 2014, Agrawal et al., 2011, Kuppuswamy & Bayus, 2015, Mollick, 2014, Beaulieu, Sarker, & Sarker, 2015).

In Brazil and most of the world, the CF is performed on a virtual platform, which hosts several projects (social, artistic, cultural, innovation, musical, theatrical, etc.). The CF platforms act as agents that capture and disseminate the initiatives that require funding. Evans, Schmalensee, Noel, Chang, & Garcia-Swartz (2011) states that for a business opportunity to succeed, the fulfillment of three elements is necessary. They are, the existence of different groups of customers; the influence of a network to coordinate the demand of another group and the existence of a moderating agent to coordinate bilateral relations, i.e. CF platforms act as moderators of bilateral relations between companies/projects and sponsors/donors.

Hagedorn & Pinkwart (2016) argue that investors use the CF platforms to monitor their investments, interact with other entrepreneurs and participate in the community. They are also used to motivate investors to participate in projects and enterprises (Boudreau, Jeppesen, Reichstein, & Rullani, 2015) as well as making more transparent funding process (Agrawal, Catalini, & Goldfarb, 2015). The growing number of CF platforms is so expressive that you can imagine the volume of busy resources by this type of financing will make other options to be withdrawn from the market (Gierczak, Bretschneider, Haas, Blohm, & Leimeister, 2016).

According Belleflamme & Lambert (2014) it seems that CF platforms meet the assumptions of a successful business of Evans et al. (2011). They bind to at least two distinct groups (businessmen and sponsors); evaluate each platform group depending on the effective participation of other group and assume the mediation of donor relations. The CF platforms are able to mitigate the problems caused by information asymmetries more efficiently than any individual could do in his own business or investment (Belleflamme & Lambert, 2014).

Hagiu (2014) explained the importance of correct functioning of the multi-faceted platforms (its functionality) and its governance aspects (regulation). Regarding the CF platforms, layout decisions, functionality and governance are related to information asymmetry problems. Agrawal, Catalini, & Goldfarb (2013) pointed out that one of the great problems of CF platforms was precisely the information asymmetry. Often hidden or poorly explained information

may lead the sponsor to withdraw from the project.

To reduce this problem, the CF platforms can adopt their own rules of regulation. A good example is to adopt a “supply limit”, i.e., only those projects that reach the limit for the total of donations receive the funds raised. Another measure could be the obligation of employers to more risky projects, to disclose more information about their business (Agrawal et al., 2013).

Lambert & Schwienbacher (2010) pointed out that most of the initiatives in CF were from filmmakers and music producers. Today in Brazil, the CF platforms support a range of projects, such as: Architecture and Urbanism, Community, Education, Literature, Music, Sports, Social Business, Theatre, Science and Technology, among others. Regarding the types of CF practiced in Brazil, only three are accepted by law: reward, donation and equity (from 2016). Within these models, three platforms are highlighted in the Brazilian scenario. The Catarse is the largest financing platform based on reward; Vakinha as donation model and Broota as equity. The mode of lending is not yet accepted in Brazil as it already occurs in several European countries.

#### **4.2 Simplicity of the CF platforms' functionality**

The SVC involves generating business value at the same time, yields more profit and greater social impact, resulting in grand transformations and growth opportunities and innovation in business and society (Porter & Kramer, 2011). In this way, companies can transform their old business models using the globalized resources to boost its activities in the market and society. Many of these companies are turning to CF because CF campaigns allow entrepreneurs to understand how their customers behave, their preferences and the logistics itself (in order to avoid excessive transport costs). For many customers in this type of financing in just a month or two, it is possible to know whether it is worthwhile or not to launch a product or entrepreneurial project. Cutting red tape and the simplicity in using a CF platform, are other factors that attract increasingly larger numbers of collective investors. In the CF the investor needs only to write the text of his campaign (making it clear what is his project and demonstrating the reason of the collection) and create some attractive rewards system.

The platforms also help in spreading the quality of the project or undertaking, transparency of the whole process of funding and communication between entrepreneurs and investors. Qiu (2013) states that through these actions, the platforms have an important role in advertising of projects and collective financing actions.

Note also that many investors are recognizing the CF market as a great opportunity to assess the feasibility of new ideas, and if their products or services will be accepted by customers as well as the understanding of their consumption behaviors. It is an interesting feedback for investors, given the

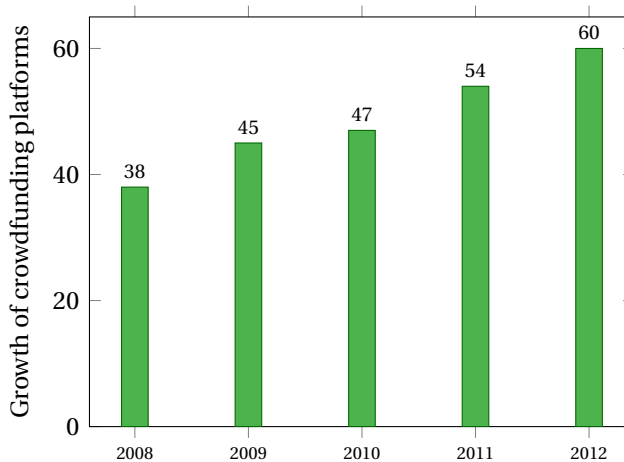
relentless pursuit of business success and financial survival in an ever stronger and digital market.

### 4.3 Quick research on CF in Brazil

In Brazil, the CF platforms are relatively new when compared to the international scenery. According Mendes-Da-Silva, Rossoni, Conte, Gattaz, & Francisco (2015) in Brazil the growth rate is fast, following what happens in Europe, where this type of funding presents itself as an attractive alternative to capital funds and other credit tools. According to information revealed in Statista.com website (see Figure 1) in 2008, the number of CF platforms worldwide increased 38% compared to the previous year. The growth rate of CF platforms continued to increase in all subsequent years, and the growth rate reached 60% in 2012. The total number of platforms CF worldwide after April 2012 was 342, and the estimated number by the end of December 2012 was 536.

Hobey (2015) claim that Latin America has the highest rates of adaptation to e-commerce (very important factor) and several attractive platforms in this region. Besides this perspective, Hobey revealed that the CF is growing at an unprecedented pace, directly impacting politics, government, business and people.

In the report of Massolution Report pointed out by Hobey (2015), it is revealed that in 2014, was raised around 16.2 billion dollars. This number expresses a growth of 167% over the previous year. This research also showed that South America had a growth by CF projects of 167%, indicating the high profile of this financing model.



Source: Adapted from Statista (2015).

Figure 1: Growth (%) of CF Platforms – 2008 to 2012.

Currently, there are about 41 active CF platforms in Brazil. Among which the best known are the Catarse, Kickante, Queremos, Eu sócio, Vakinha and Quero incentivar. According to Table 2, one can see that the platforms are divided into at least three categories (creative projects, social action, and various).

These platforms concentrate companies and projects of all kinds and purposes, highlighting that each platform has its common characteristics and peculiarities. Some of these platforms do not support projects related to personal fulfillment (marriage, graduation, 15 party, etc.), while others ask for a contribution per project published/released and other supervise the purposes of donations. Even with these differences and similarities, the CF platforms aim at the same ideal, collective financing and the distribution of aggregate social value.

Due to problems arising from the Brazilian legislation, projects in Brazil have a greater focus on cultural and charitable actions (Assis, 2014). According to a survey conducted by *O Globo*, in 2011, 67.77% of the volume invested in nine major CF platforms in Brazil, was for artistic projects, such as the

Table 2: CF platforms in Brazil.

Type/Purpose	CF platforms	
<i>Creative projects</i>	Catarse Variável5 Guigoo Ulule Bookstorming	Its'Noon Sibite Startando Bookstart
<i>Social Action</i>	Impulso Causa Coletiva Juntos com você	Doare Kolmea.me
<i>Others</i>	Quero incentivar Vasco dívida zero Pódio Brasil Eu sócio Embolacha Queremos Eu Patrocino Benfeitoria Idea.me O Pote Arrekade Ideia de futuro Xodó	Incentivo coletivo Salve Sport Viabilizza Broota PraRolar Traga seu show Partio Começa Aki When you wish BRA Kickante O formigueiro Bicharia Garupa

production of CDs, books and movies (Setti & Cruz, 2014).

The CF platform of greater expressiveness in Brazil is the Catarse. Operating since January 2011, Catarse has received contributions from more than 320,000 people for 3,016 projects, which in monetary terms, represents a total amount of R\$ 48 million (Catarse, n.d.). This platform is based on the reward system, that is, projects that need financing, should offer non-monetary rewards for investors. In Brazil, the CF subject is new, and have been relatively unexplored, since most of the studies were published after 2011. The theme has many aspects to be explored, especially determinant relations of participation, geographic distance and investment, participants' motivation, positioning strategies of CF platforms, digital collective business models, among others.

## 5 APPROACHING THE CREATING SHARED VALUE'S THEORY AND CROWDFUNDING

The CF model is classified by Howe (2008), as a model able to form the perfect meritocracy, because anyone can participate. What is actually important is the quality of the project presented. Lévy (2000) empowers the idea of the term collective intelligence. He defends this element as the ability of "a distributed intelligence everywhere, incessantly valued, coordinated in real time, resulting in an effective mobilization of skills" (Lévy, 2000, p.28). The thought of the idea of collective intelligence distributed throughout the world, reinforces the idea (Howe, 2008), which states that with the Internet and its functionality (specifically CF) approaches dispersed people and maximizes hand globalization of borderless work.

The CF allows entrepreneurs, micro, and small businesses that have problems of access to financing through traditional financial institutions to finance their business in an alternative way through their social networks (De Buysere et al., 2012). It also serves to bridge the gap that arises between the resource available from traditional financial institutions and companies that fail to meet the stringent requirements for achieving the funding for the projects.

In response to the key issues of this research, it was found through theoretical research and empirical discussions, that the elements of reciprocity, sustainability, development and reduction of social disturbances and market are found both in shared value creation theory, and in scope of CF projects, since the relationship between CF project and investor are not merely profitable, but instead, extend over time and often the investor himself, implements a project and is funded by the project previously sponsored (reciprocity).

The simple fact of not having financial intermediary already implies the non-occurrence of paying exorbitant interest rates on the project (not to mention the excess paperwork to prove the viability of the business). The only payment that is made is a symbolic participation to the platform, which promotes the project and manages donations. In addition, the use of the platform allows investors through feedback from other investors and clients to perceive if their

project will have chances to succeed or not (sustainability).

The projects presented to CF funding, must meet the informal requirements (but are observed by financial supporters) such as being innovative, generating employment and income, promote culture and citizenship, inspiring art, etc. Projects that can incorporate such ideals have chances to develop as it could get necessary funding and monitoring of other investors in the same trade (development).

The CF offers the opportunity to include access to financial credit for people who do not like giving guarantees to banks, financial institutions and moneylenders (reduction of social unrest and market). Through the monitoring of CF platforms supporters have precise information that was made with the funding received and if the contract worked out or not. What happens often is the collective monitoring by project similarity group, ie several projects that are framed in the same category come together to exchange ideas, opinions and business experiences already carried out or being carried out.

Regarding the creation of shared value, the versatility of the CF allows that the relationship between company and investors admit creating value for both parties because, if in one side, the entrepreneur can get free financing of high bank fees, on the other, there is no bureaucracy to carry out the investment of the supporter. Each of these categories can contribute to the creation of value, since there are economic and social benefits in line with the cost of carrying out projects; there can be creation of mutual value between company and community; It is part of a competition (for better technology or better sources of financing) and promotes generation of income (at least the basics for project implementation), and collective welfare.

## 6 CONCLUSIONS

The objective of this trial was approaching the theory of creating shared value (Porter & Kramer, 2011) with the basic social elements of CF in Brazil. The idea was to explore the complementarity of the concepts governing the CF in line with the theory of Porter and Kramer. Through literature review and empirical discussions, it was possible to answer two central questions regarding the theme developed in this essay.

The first one, which involves research which elements of the theory of the creation of shared value, is found in the collective funding. In answer to that question, it was found that reciprocity is perceived when the relationship between entrepreneur and investor is not simply localized, ie, there is a kind of social exchange, where often the investor becomes entrepreneur and gets funding the project he supported initially. The second element found was the sustainability, which is evident when relations between entrepreneur and investor are not intermediated by a financial agent, ie, there is neither payment of interest and nor administrative fees (all raised capital may be applied in the

business).

The third element found was the development, noticed due to the occurrence of some sort of feedback system between the parties (monitoring and sharing of results, opinions and experiences), so the entrepreneur can develop his ideas and better manage his enterprise. As a last SVC element observed in business relations via CF, there was a reduction of social unrest and market, which took place at the instant that this type of financing offers access to people who for various reasons would not have credit in financial institutions and will not need to offer collateral charged by market players.

The second central issue of this paper aimed a discussion of how occurs the creation of shared value in business developed in CF platforms. In this respect, it was found that each of the categories (entrepreneur and investor) can contribute to the creation of value, since there are economic and social advantages in accordance with the cost of implementation of the projects. Thus, there may be generating mutual value both for entrepreneurs and for investors, implying directly fairer and less costly exchange for companies and associated communities.

As a contribution, this paper allowed the approach of the central elements of the SVC in the functioning of the CF system, this association enabled the understanding of the scope of financing operations via CF, the objective reasons for the demand for this type of financing and that the aggregation of economic and social value are results achieved through consistent business initiatives. Lastly, and as discussed throughout this essay, it is clear that the CF can offer creative ways to combine the relationship between companies and investors, which can minimize the imperfection problems of the market and the relationship with the financial institutions.

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