



Developing investor relations and strategic financial communication: Contemporary opportunities, risks, and tensions

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Abstract

Researchers investigating investor relations (IR) in general and the growth of alternative finance in particular are popularising the term strategic financial communication to cover a broader remit than traditional IR territories. Despite their efforts, IR and public relations (PR) research in this area remains limited. In increasing that research, we examine five diverse equity crowdfunding (ECF) platforms in different nations to evaluate what is involved in opening up financial practices through engaging strategically with diverse communities, and through balancing risk communication. We found that despite the potential for enlarging the egalitarianism by extending participation more widely, major disparities and tensions remain. Platform businesses, caught between limited internal resources and external legal restrictions, tend to limit the investor pool; withdraw from responsibilities; perform mostly one-way communication; restrict community discussions; and bias their risk communication. These, in turn, can adversely influence risk management, especially for new and inexperienced investors and investment communities. Accordingly, we suggest how academics and professionals in IR and PR can better realise the rare combination of enlarging both economic equality and organisational profitability. We end by arguing that strategically developing financial communication through ECF in prosocial ways can enable IR and PR to contribute to the fully functioning society.

Keywords: investor relations, equity crowdfunding, risk communication, community, platform businesses

Introduction

Investor relations (IR) is often considered as the strategic management function that integrates “finance, communication, marketing and securities law compliance” by the American National Investor Relations Institute (NIRI) (NIRI, 2003). IR and financial communication tend to be used interchangeably in literature (Doan & McKie, 2017). In our view, financial communication implies a broader coverage in terms of public as well as scope of work of the IR function within an organisation. The strategic approach to financial communication, however, remains neglected in academia despite the increasing traction gained by strategic communication in general (Laskin, 2014). In his recent *Handbook for Financial Communication and Investor Relations*, Laskin (2017) continued to call for synergy between communication and financial elements of IR.

With the emergence and wider application of social media to business and social practices, this article suggests that IR, as a field within public relations (PR), has the potential to expand its strategic financial communication role. This is particularly evident when IR engages in discussions around online investor community and risk communication in equity crowdfunding (ECF). Lawton and Marom (2012) consider ECF as the marriage between social media and finance, and the two areas fall within the realm of IR. ECF happens when a company makes a call to the public over the Internet, through a licensed website or platform, to invest in it for the promise of an exchange of financial rewards in later stage (Ahlers, Cumming, Günther, & Schweizer, 2015). ECF enables a much larger and dispersed investor base. Communicating with this base, through accessible and participation-friendly technology, strategic financial communicators could help form online communities and coordinate resources to significantly influence a company’s development and increase investor returns. At present, how much, or how little, these potential communities form and communicate depends primarily on the infrastructure of the centralised ECF platforms (Choudary, 2015).

In addition to the global spread, ECF has opened democratic possibilities by how it can allow some people with as little as £10 in capital to invest (Crowdcube, 2016). Not only does ECF open up the potential participation for everyday small investors, it also unfreezes a capital source previously less accessible, or sometimes even inaccessible, to start-ups or early stage, or small and medium-sized enterprises. Not surprisingly, ECF has been hailed by governments, entrepreneurs and scholars as having the potential to democratize capital, widen entrepreneurship (World Bank, 2013), create more jobs, and increase GDP (De Buysere, Gajda, Kleverlaan, & Marom, 2012).

While researchers from business and finance fields are increasingly confirming the importance of ECF in opening up capital, communication scholars have been slower to undertake research in ECF. To date, for example, there has been only one IR study (Moritz, Block, & Lutz, 2015) investigating IR in ECF, and even its focus was on communication channels and information asymmetries. We argue that by focusing understanding on ECF communities, and the management of risks on the platforms, PR and IR could make significant contributions to the much-needed conversations about strategic financial communication. These are especially relevant in the age of debates about the sharing economy, or what Botsman and Rogers (2010) call “collaborative consumption” for technology-enabled peer communities where people share rather than own (e.g., Airbnb, Zipcar), versus critiques of the overcentralisation of power that see Google as an “ad platform that commands, in some markets, a 90 percent share of the most lucrative sector in media, yet avoids anticompetitive regulation through aggressive litigation and lobbyists” (Galloway, 2017, p. 2).

Literature review

Equity crowdfunding and the online investor community

Ahlers, Cumming, Guther, and Schwizer's (2012) definition of ECF highlights three key players: the entrepreneurs (or founders/ issuers/ fundraisers), the investors (or funders), and the crowdfunding platform itself. Zhang, Baeck, Ziegler, Bone, and Garvey (2016) note that founders in ECF are usually entrepreneurs of start-ups and early stage companies. Investors in ECF tend to be small investors without much financial background (Ahlers et al., 2015). Platform businesses act as intermediaries between the funders and the entrepreneurs. Their primary function is to make money by promoting an investment project to the crowd and so bringing money from the crowd to the entrepreneur. In this paper, we focus on the way ECF platform businesses recruit and interact with investors through the former's existing features to examine the level of engagement and risk communication in the investor community.

The ECF investor community consists of people who, with or without financial expertise, take the opportunity to invest in equity offerings open on the Internet. Many are first time investors, with limited relevant financial knowledge or experience (Baeck, Collins, & Zhang, 2014). Nor, because their investment is often small, does it make economic sense for them to put much time and effort into investigating the deal (Ahlers et al., 2015). As a result, they run the risk of systematic inattention to due diligence (Agrawal, Catalini, & Goldfarb, 2013). According to Hu (2015) and Wilson and Testoni (2014), other implications of being minority shareholders dispersed over different locations are that, because they invest independently, they do not have the power to negotiate terms for any deal, nor can they monitor the ongoing operations of the businesses. A further possible disadvantage is that they differ from traditional stock investors of listed companies in that they cannot sell their shares so freely but have to hold on to their investment till the day the company chooses to make an exit (Freedman & Nutting, 2015).

ECF investors resemble angel investors because of their direct investment in start-ups. However, unlike angel investors, who have all the investment information to hand, crowd investors gather material about the business over the Internet through a centralized ECF platform and quasi-personal communication (Moritz et al., 2015) to make investment decisions. Lack of face to face communication can lead investors to interpret, and perhaps over-interpret, all the signals on the platforms (Ahlers et al., 2015). Equally, by using others' responses as a cue to participate, investors can more easily partake in groupthink or herding behaviour. In ECF, however, the very newness and lack of experience of investors not only increase the likelihood of this behaviour happening, but can, as with the subprime mortgage investors, be over-optimistic about future outcomes (Wilson & Testoni, 2014).

In addition, members of the crowdfunding communities are often involved in screening, sharing, and discussing potential offers, and, therefore, in promoting democratic participation in crowdfunding (Heminway, 2014; Ibrahim, 2014; Wroldsen, 2013). According to Heminway (2014), the investors "may have had no physical contact with the issuer or each other apart from Internet solicitations and communications. But crowd members are connected" (p. 833). For Belleflamme, Lambert, and Schwienbacher (2014), "crowdfunding is most often associated with community-based experiences generating 'community benefits' for participants" (p. 586). In the case of ECF, community benefits involve investment experience on such matters as control rights and voting power aimed at generating profit for members. The ties among them, and between them and fundraisers, can help achieve more positive results than traditional financing (Belleflamme et al., 2014). Wroldsen (2013) argued that crowd investors are diverse and decentralized enough to take on the role of market analysts in assessing the value of an offer.

This characteristic highlights the importance of creating investor communities and maintaining good relationships with their members. Community building has featured in theoretical PR literature, and as part of the practice, for a long time. Kruckeberg and Starck (1988), for example, presented a theoretical framework to organise and build up communities through PR. Combining community-building theory with the changing context of globalisation and technology expansion, Valentini, Kruckeberg, and Starck (2012) argue for a more public-centric community shifting the power balance away from organisations and more towards members of community. Nevertheless, despite their strategic potential, none of the community-building ideas, or capacities, find takers in IR and financial communication although the current online environment of ECF offers a particularly fertile setting for such applications.

Equity crowdfunding and risk management on the platform

The changes in investment setting, investor characteristics and so on, make ECF risky. Compared to other types of crowdfunding, ECF has tighter regulations. In Hu's (2015) summary, ECF risks can come from key participants and processes. For investors, as discussed above, the general low level of financial literacy, the lack of adequate shareholder protection, and the inability to monitor company performance after funding could lead to systemic failure. They are also driven by the desire to seek additional income and more profitable venues because of the prevalent uncertainties of current daily life (Srnicsek, 2016). For entrepreneurs, despite their best intentions, things might not go their way. In fact, Hu (2015) puts the failure rate among start-ups as high as 70% over the first year. This is in addition to other problems. One is asymmetry of information (at its extreme, this is illegal insider trading and, legally, just as in the real estate market, the seller knows more than the potential buyer, so in start-ups, a cashed-up venture capital firm may get better data from an organisation than an individual ECF investor). Another problem is moral hazard (e.g., where entrepreneurs knowingly do not reveal necessary information with the aim of deliberately misleading investors). Evans and Dunkley (2015) also identify such other risks as improper due diligence, or deliberately displaying only successful deals to give investors the idea of an all-rosy future.

In the light of such risks, the lack of the discussion feature on many platforms – discussed below – needs immediate attention because platforms play a crucial role in communicating and managing ECF risks. All communication and interactions have to happen online and are centralised on licensed platforms (Moritz et al., 2015; Viotto, 2015). Platforms are the first point of contact between crowdfunding companies and their investors. Significantly, at the same time, they are tasked with such other roles as information intermediary, educator, fraud controller, and financial conduit (Heminway, 2013; Securities and Exchange Commission, 2015). Accordingly, they have considerable power to increase or decrease the participation of the crowd investors, and to improve their financial literacy and awareness of risks.

In addition, ECF platforms serve two distinct user groups that provide each other with network benefits: entrepreneurs and investors. Their success depends on platforms creating positive network effects (Parker, Van Alstyne, & Choudary, 2016). In this case, the more entrepreneurs that are on a platform, the more investors are likely to be drawn to it for more investment opportunities. On the other side, the bigger the platform investor database, the more appealing it is for entrepreneurs as it increases their funding opportunities. Platform businesses need to maximise the interaction between these two sides by pulling them in through quick registration, promotion and incentives, matching their needs through data and algorithms, and facilitating interactions among them through function and features (Parker et al., 2016). These activities, in turn, depend on what Choudary (2015) identified as three platform operational layers: the network-market place-community layer is where members connect with each other, either implicitly or explicitly; the infrastructure is where tools and functions are; and the data layer collecting data from both sides. These three layers vary in “thickness” depending on business type and

strategy. For ECF, the current platforms seem to emphasise the network-market place-community layer as investors exchange information about offerings to reduce imminent risks. ECF platforms, in this situation, operate like a “social amplification station” (Anthony & Venette, 2017, p. 34) to either attenuate or increase risks.

Financial risk communication becomes an essential task for IR. Risk communication, defined as a tool for communicating values, identities, awareness, attitudes and behaviours related to risks, has been addressed extensively among PR scholars (Palenchar & Heath, 2007), but less so in IR. Perhaps because of the lack of attention to finance, let alone alternative finance, neither the PR literature nor the IR literature has research on the role of ECF platforms in organising and building investor communities and handling risks. We hope this study stimulates more communication and IR research into how to increase participation in alternative finance.

Based on the literature, we set out to answer the following research questions:

RQ1: What is the process of registering investors on ECF platforms?

RQ2: What is the level of engagement with investors on these platforms?

RQ3: What risk education and communication do the platforms provide?

Sources and methods

In order to ground our platform research in current practices, we selected for investigation the five leading countries in ECF: the U.K., Australia, New Zealand, the U.S., and Canada. The U.K. is considered the forerunner in ECF (Sehra, 2015) with favourable, including tax relief schemes, regulations (Agrawal et al., 2013; Ahlers et al., 2015). Australia hosts the world’s first ECF platform, ASSOBS, which was opened in 2007 (World Bank, 2013). New Zealand did not have ECF regulations until 2013 but passed what may be “the first national law that has no specific investor cap” (Dehner & Kong, 2014, p. 437). Meanwhile, in the U.S., before May 16, 2016, ECF could only be offered to accredited investors (Securities and Exchange Commission, 2016) and in Canada, ECF is only legal in some jurisdictions (National Crowdfunding Association of Canada, 2016). Despite this, the North American market accounts for 60 per cent of global crowdfunding (Terry, Schwartz, & Sun, 2015).

Established in 2011, the U.K.’s largest ECF platform Crowdcube “operates as an open forum where investors can view projects, idea pitches, and engage with others in its ecosystem” (Dehner & Kong, 2014, p. 424). ASSOBS, on the other hand, is organised more like a stock market for unlisted companies with support services for the investment community (ASSOB, 2016a). According to Australian regulations, ASSOBS can neither market investment opportunities nor advise investors. Similarly, New Zealand’s Snowball Effect platform operates as an intermediary facilitating interaction between entrepreneurs and investors and providing feedback to the national financial authorities (Snowball Effect, 2016). We include the American Crowdfunder platform because it is one of the leading ECF platforms and because its owners and advisors have been actively promoting ECF with legislators (Crowdfunder, 2016a). Finally, SeedUps, which started as an Irish platform (Dehner & Kong, 2014), now has a presence in Ireland, the U.K., the U.S., and Canada (SeedUps, 2016), and is one of the five biggest ECF platforms in terms of volume (Ahlers et al., 2015). The inclusion of the Canadian version of SeedUps was designed to provide geographic and legal diversity.

In such a fast-moving arena, the study chose to bias samples towards recency rather than primacy. We collected information from the five platforms in the first half of 2016. We excluded all deal offers and company-related information on the platforms to focus instead on the non-commercial sections that provide general investment knowledge and risk information to investors. These sections served as our context units.

We imported and coded data in NVivo, the qualitative analysis software. Based on Bogdan and Biklen’s (2007) categorisation of coding categories, we applied two categories, process and activity coding. The process-coding category consisted of registration steps and investment process to cover the process of recruiting and guiding investors through online investment. The activity-coding category focused on the activities platforms undertook in interacting and communicating with investors and included general investment knowledge, risk warning statements, Frequently Asked Questions (FAQs), types of risks, communication tools, and dialogue. We compiled these codes into one coding sheet, used one for each of the five platforms, and then cross-compared for similarities and differences between platforms. Finally, we proceeded to analysis and interpretation.

Findings

Registration processes, educational intent, and self-certification

Financial authorities require platforms to educate the public about this new form of investment. The educational orientation starts early with the registration process where potential investors have to provide their basic personal details. Out of the five platforms, three, ASSOB, Crowdcube and Crowdfunder, also allow investors to sign up through a third party (LinkedIn or Facebook). This makes it even quicker for people to join since investors can simply tick the boxes verifying that they have read and understood such basic legal documents as Investor Warning Statements, and Terms and Conditions. For platforms serving various investor types, investors also self-certify the investment category to which they belong (see Table 1).

Table 1: Registration information and process

	Crowdfunder	Snowball Effect	Crowdcube	ASSOB	SeedUps
Registration option	On-site; Facebook; LinkedIn	On-site	On-site; LinkedIn	On-site; Facebook; LinkedIn	On-site
Registration information	Self-verify investor status, legal name, DOB, country of residence, phone number	First and last name, email, interested in being an investor or entrepreneur or both, if one is a US citizen or resident	First and last name, email address, nickname	First and last name, country, email, phone number, stakeholder type, where first heard about ASSOB	First and last name, email, address, phone number, funds available to invest, investor profile
Boxes to tick to indicate agreement, acknowledgement, and understanding of:	(1) Terms of Use; (2) Risk of losing all money; (3) Doing own due diligence; (4) Allowing Crowdfunder to verify accredited status	Disclosure Statement, and Warning Statement	Crowdcube Terms and Conditions; Privacy Policy; Investor Description; and Investor Statement	Investor Warning, and Privacy Statement	Investor types and risks of investing in private company securities
Self-verify investor types	(Currently serving accredited investors and brokers only)	N/A	(1) Everyday; (2) Advised; (3) Self-certified sophisticated; (4) High net worth	N/A	(1) Accredited; (2) Eligible; (3) Ordinary

The whole registration process is consistently fast with Crowdcube (2015) claiming that “it takes less than 60 seconds.” In sharp contrast, however, the time needed to read, let alone understand these documents is considerably longer, especially since many are more than one page long and contain numerous financial and legal terms. We suggest this first encounter between an everyday investor and their chosen platform frames the overall experience. It surfaces inherent tensions as the platforms focus on getting people to sign

up quickly even if this entails discouraging, or failing to encourage, investors to fully inform themselves. In concert, the condensed information, the connection with social media platforms, and the hassle-free steps to swift registration, all demonstrate the platforms' willingness to create easy access for a wide public. At the same time, the platforms' various links to full legal documents serve to comply with regulatory requirements. As a result, the educational element for investors during the registration is designed to be brief and so is likely to be minimal.

Platform businesses also attend to different restrictions in different legal jurisdictions. Apart from SeedUps, the other four platforms limit investors from certain countries. The three non-U.S. platforms clearly state that all offers are unavailable for U.S. citizens. The U.S. Crowdfunder platform, on the other hand, prohibits non-U.S. residents from investing due to "complexities of complying with securities laws" (Crowdfunder, 2016b). This incompatibility continues even after May 16, 2016 when the U.S. legally permitted everyday investors to participate in ECF (Clifford, 2016). Accordingly, the ECF's capability to expand communities across geographic boundaries continues to be inhibited – not just by differing legal regulations in different nations – but by the platforms' practice of leaving this up to individual investors to verify. The one exception is Crowdfunder, which requires investors' consent for checking their accredited status. No other platforms express any intention to follow up on the information provided by investors.

Asymmetric communication and distancing responsibilities

All platforms provide various channels for investors to contact them. The most popular ones are generic email address, Facebook, Twitter, LinkedIn, telephone numbers, and postal address. All but SeedUps invite investors to sign up for regular email newsletters with the latest fundraising company offerings or updates. In addition, ASSOBS builds in RSS feeds, Crowdfunder lets investors share information from the Tools and Resources section via various social media channels, and Crowdcube has its own application in the Apple Store. All of these aim at keeping individual investors abreast of investment news. Snowball Effect personalizes the content with a few video clips featuring individual testimonials from company managers and investors. The platforms provide limited links to external sources. Existing links mostly take investors externally to relevant regulations on the website of local financial authority or internally to the platform's legal documents.

In general, the ECF platforms attempt to engage with investors but the information on their non-commercial section is often one-directional and relatively static. Even a FAQs section, where basic knowledge takes the form of a conversation between an average crowd investor and the platform, would be more interactive. Nevertheless, while FAQs are an effective way of breaking down large amount of information into easy-to-read pieces, they are still one-way communication with content written and provided by the platform businesses with limited input from investors. Crowdcube investors, however, can rate a certain question in FAQs by thumb up or down, and so have a vote of sorts in helping guide the platform to display the most useful ones.

Despite obvious educational advantages, no platform offers facilities for group discussion of general ECF investment knowledge although feasible options exist. For example, potential investors could share a particular Q&A on their own social media account to further discuss within their personal network (as in Crowdcube); or they could discuss it with the platform or company in public mode. Currently, no place or space exists for investors to co-explore the basics of ECF investment or the complicated language of legal documents (e.g., Terms of Use, Disclosure statements). The absence is striking since investors are asked to possess such knowledge when they register; the absence is telling in exemplifying unidirectional communication without any encouragement for crowd-based approaches or interaction.

In terms of language, platforms are straightforward with their (limited) responsibility (e.g., for the accuracy of third party documents; the fundraising company's performance). As per local financial authority requirements, platforms are obliged to perform basic due diligence based on publicly available information. Because they do not even want to be held liable for that, platforms state unequivocally that investors invest at their own risk and/or suggest that investors undertake their own research or seek external advice. Although self-serving, that guidance is sound if not very practical for many because of the small amount each investor puts in as previously pointed out by Ahlers et al. (2015).

The platforms also distance themselves from any fraud-controlling role: "We simply provide the tools for companies and funders to communicate more efficiently and manage what is needed for a successful transaction" (ASSOB, 2016b). Crowdfunder (2016b) similarly states they "cannot guarantee the authenticity of any data or information that Users provide about themselves or their Raise, and Companies." Given that no platform offers an open group discussion board to exchange investment knowledge, this distancing, on top of what the OECD (2016) considers the lower level of financial sophistication of everyday investors, further exposes everyday ECF investors to risks that are already high.

Risk communication

The amount of risk communication varies across platforms with SeedUps on the lowest end of the scale and Snowball Effect on the highest end. Crowdfunder did not have a specific section discussing risks, while Snowball Effect embraced risk warnings from both the Financial Markets Authority and their own. While ASSOB had a risk tab, it was short and did not specify the risks but instead asked investors to go to the business risk management section of each individual offering. Across almost all platforms, the amount of information about offers overshadows risk communication material. The platform homepages, except for Crowdcube's inclusion of a prominent risk warning on every page, foreground current offers with risk warning statements located less conspicuously at the bottom of the page.

While it is the platforms' business to feature deals and offers, we contend that this first impression frames investor attention in terms of opportunities at the cost of minimizing risks. This framing of (positive) attribute (Hallahan, 1999) by platform businesses highlights the over-optimism and dims the inherent investment risks. The quantity of risk information available is disproportionately tiny in the proportion of space and the prominence allocated to offers. Discussions of risks are also less accessible because they are scattered across various documents. ASSOB, for example, foregrounded its business legitimacy – and therefore reduced the opportunities for it to be seen as untrustworthy – in three different pages. Similarly, investors of Crowdcube would need to navigate through a disclaimer, a full risk warning statement, and a terms-of-use section to put together an understanding of the inherent risks. Crowdfunder is the only platform that collects all risks, albeit with highly legalistic language, into one (Terms of use) document.

The platforms were unanimous in warning investors about two issues: the potential loss of money when investing in start-ups and early stage companies; and about the limited opportunities to cash in their equities. They also informed investors of the unaudited or unverified materials published on the websites and advised them to seek independent advice from other sources. Nevertheless, the types of risks discussed by the platforms were a fraction of all potential risks contained in the literature (See Table 2). Notable by their omission were accounts of investment risks relating to unsophisticated investors, inadequate knowledge and experience, participation in groupthink, and facing the collective action problem. None featured on any of the platforms, nor were any linked to the possibility of more systemic collapse.

Table 2: Types of risk across platforms

Types of risk	Crowdfunder	Snowball Effect	Crowdcube	ASSOB	SeedUps
Investing in new businesses	Terms of use	Disclosure statement	Disclaimer; Full risk warning statement	Investor warning statement	Online agreement
Lack of control or involvement	N/A	Warning statement	N/A	N/A	N/A
Collective action problem	N/A	N/A	N/A	N/A	N/A
Investors lack of knowledge and experience	N/A	N/A	N/A	N/A	N/A
Limited disclosure	N/A	Disclosure statement; Warning statement	N/A	N/A	N/A
Limited information sources	N/A	Warning statement	Disclaimer	Investor warning statement	N/A
No third party validation of published documents	Terms of use	Disclosure statement	Disclaimer; Terms of use	Investor warning statement	Online agreement
Potential fraudulent businesses	Terms of use	Disclosure statement	N/A	N/A	N/A
Technological issues	Terms of use	N/A	Disclaimer	N/A	N/A
Platform legitimacy/responsibility	Terms of use	Disclosure statement	Disclaimer, Terms of use	Overview page; 'How does ASSOB work?' page; Investor FAQ's page	N/A
Third party endorsement	N/A	Disclosure statement	N/A	N/A	N/A
Illiquidity	Terms of use	Disclosure statement	Disclaimer	Investor warning statement	Online agreement
Dilution	N/A	Disclosure statement; Warning statement	Disclaimer	N/A	N/A
Geographic boundary	Terms of use	Disclosure statement	Disclaimer	Jurisdictional disclaimer	N/A

Discussion and recommendations

In summary, although the analyses confirmed that ECF platforms have the potential to further democratize crowdfunding participation by taking on designated roles facilitating community engagement and reducing risks through two-way communication, we found these were not realized in practice. Firstly, this is because the educational content that platforms provide, including risk communication, remains peripheral and designed to meet the minimum regulatory requirements rather than serve any other function. As platforms are the only centralized space for integrated communication between companies and investors (and among investors), they are crucial areas for change. They could easily extend their existing, but narrowly functional, practices (e.g., doing the bare minimum to meet legal requirements). Glimpses of liberating potential exist in a few platform examples of going beyond regulations requirements to harness the power of the crowd such as Snowball Effect providing a series of investment talks to crowd investors in New Zealand. Crowdcube similarly opened up various channels for the crowd to interact and such initiatives encourage participation by, and conversations among, the crowd in relation to financial knowledge and risk education.

ECF platforms could take the lead in making ECF platforms more interactive for investors. We recommend that the platforms open up their spaces for more active exchanges of information, ideas, investment practices, and communal support. It is through exchange, openness and a certain lack of control that dialogic communication happens (Zerfaß, 2010, cited in Koehler, 2014). Platforms can initiate this simply by leveraging already available interactive features (e.g., instant messaging, group formation, video sharing) on social media, or include more audio-visuals, success stories, and online investment classes, or by building in group discussion features that allow instant communication between company owner and investors and among investors. This is also in line with Valentini et al.'s (2012) call for better inclusion of technology into community building to help shift power towards members.

Secondly, after having integrated this interaction, ECF platforms need to operate “as an independent social network community” (Zheng, Li, Wu, & Xu, 2014, p. 494) to encourage and enhance further engagement. Many crowd investors take part in ECF because they are interested in the business and share similar social visions to its owners (Belleflamme, Lambert, & Schwienbacher, 2013). Platforms could leverage this resource and open up ways for crowd investors to share their different kinds of financial and non-financial resources to help companies grow and to improve the balance sheet. Some platforms have started to apply the syndicate model where an experienced person acts as a lead investor (Agrawal, Catalini, & Goldfarb, 2016). Apart from having financial capacity and investment experience, the lead investor will need resources to help develop the project if necessary and be able to bring in more investors (Li, 2016). This model is not without issues (e.g., conflict of interests), but encourages greater democracy, more informed actions, and wider and less risky investment.

Thirdly, as previously discussed, ECF investors are particularly vulnerable to risks. To address that vulnerability, and to build a more sustainable ECF investor base, the researchers recommend better coordination of emerging online investment communities. Platforms could use such communities to encourage members to discuss risks and risk management, to increase their knowledge of investment terms and processes, and, thereby furthering their ongoing participation in financial activities (Song, 2015; Van Rooij, Lusardi, & Alessie, 2011).

On the scholarly side, more researchers need to look into risk communication in financial technologies. Risk is inherent in any investment, but the lack of risk communication literature on the topic is alarming. In addition, most financial communication literature focuses on the daily operation of IR departments in the traditional finance contexts. As crowdfunding continues to expand, there is a pressing need for scholarly IR

and PR expertise to help shape the emerging territory. For example, despite its restriction to website analysis, Koehler's (2014) corporate-investor dialogue framework establishes a possible starting framework for future research. Following other scholars (Kim and Hann (2015) Lehner (2013), we also call for more studies into the democratic potential of crowdfunding in general. More specifically, we advocate for the deployment of IR and PR (e.g., through social media) to democratise investor opportunities and to harness the economic and knowledge power of the crowd for the benefit of businesses.

Conclusion

In contributing to scant research on strategic financial communication in general, and IR and ECF in particular, we built on preliminary evaluations of the level of online community openness, engagement, and risk education on five leading ECF platforms. Our research found that, while existing platforms have the potential to encourage further participation through active communities, they have, in practice, barely scratched the surface of that potential. We also found that platforms marginalize risk communication in ways that can expose investors, especially inexperienced ones, to specific ECF-related risks that could hurt them, especially in the long term. We concluded with strategic suggestions for improving ECF platforms from both a practitioner and a researcher perspective. As well as contributing to this expanding arena, such interventions could better realise its democratic and economic potential, and, in so doing, enhance the social reputation of IR and PR.

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