

The Power of the Crowd

I wrote a blog in July 2011 called "[What Disruptive Technology is Sneaking Up on You?](#)" I also wrote another one more recently called "[Crowdfunding, the Savior for the Entrepreneur.](#)" Interestingly, they have both been pulled together by the disruptive technology guru [Clayton Christensen](#). Clayton spoke with [CNNMoney](#) for an [article](#) they featured on his involvement in crowdfunding.

As I explained in my [previous blog](#), crowdfunding will allow companies to raise money with their social contacts for partial ownership in a company. You can raise a lot of money by asking for small investments from a large number of people. Think of this like a [mutual fund](#) that has lots of money to invest, but one individual investor may only put in \$500 while another puts in \$10,000. Crowdfunding gives the investor the opportunity to invest in people they know even if they don't have large sums of money. The previous laws placed tight limitations on this.



Clayton pulls disruptive technology and [crowdfunding](#) together when he points out that crowdfunding has the potential to disrupt traditional financiers. He has invested in a platform that is being created to help bring together both the investor and the company trying to raise more capital.

As I've said before, I think this opportunity is going to be big! It will change the game for many people, most importantly the entrepreneur. Ideas and opportunities that would have never gotten off the ground before will now have a better chance at a good start and could become job creating machines.

Now, the important ingredient for anyone with aspirations to

grow and get funding is a strong social network. The theme we had back in my investment days was connectivity. We invested in companies that were creating the infrastructure which would bring us together. We have all heard “it’s who you know, not what you know.” This rings even truer today with a major focus on people.

What are you doing to grow your social network?

[Crowdfunding, the Savior for the Entrepreneur](#)

Something exciting has happened in the entrepreneurial world, and I want to share it with everyone. The [JOBS Act](#), passed by both houses of Congress in March and signed into law on April 5th, will generate big changes for the growth of small and mid-sized businesses. One of the major amendments in this bill would allow [crowdfunding](#). I see this evolving into a significant means for companies to access increased funding, and it is a great way for small investors to find more opportunities to devote their money to companies with which they are more closely involved. Given how connected we are through social media and the internet, this is ripe for the times!

So what is [crowdfunding](#)? It is the opportunity for your business to use a website and social media to allow others with an interest and small sums of money to invest. Prior to this bill, the [Securities and Exchange Commission \(SEC\)](#) would only let a small number of people invest in one business, but once your business passed that limit, other investors were

required to have a large income or net worth, or you would have to register as a security with the SEC. Crowdfunding will eliminate all this red tape and provide the opportunity to truly democratize the investment process.

This can be compared to a New York law which passed in 1811, changing the liability requirements for corporations and making it easier to establish one with minimal requirements. This allowed investors to hold a diversified portfolio of stocks without regard to the debts of the companies in which they invested. This freed up money to move in areas it was needed, which at the time included textile mills due to our challenges with Britain ([War of 1812](#)) reducing trade.

That timely law allowed money to flow where it was needed. Today, we have a similar environment where businesses can't get the funding they need to grow because of all the bank problems. Banks withhold lending because they fear the bad economy, have experienced many losses already, and must hold more money in reserves due to increased government regulation. This starves the entrepreneur from the funding needed to take advantage of various opportunities.

Given my history with investments as well as the historical results when we democratize people, government, business, and investments, I see the start of a new era. Investing in a portfolio of startups will become as common as mutual fund investments! Does your business need capital to grow and could crowdfunding be the advantage you have been looking for to explore new opportunities?

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