

# **Chart Success and Innovation in the Music Industry: Does Organizational Form Matter?**

**Paola Dubini  
Bernardino Provera**  
Bocconi University

**ABSTRACT** In recent years, media industries are increasingly regarded as key settings for traditional organizations to draw lessons upon (Markides, 2006) as far as innovation strategies are concerned, due to the structural changes they are witnessing, and to the high pace of introduction of new products. Our research addresses different innovation strategies by investigating the competitive dynamics in the launch of new artists in the US music market, between 1991 and 2005. Our results show that, in a creative setting affected by growing environmental turbulence, established firms (majors) tend to adopt an emerging organizational form, by establishing partnerships with independent organizations (indies), in order to systematically introduce new products. Our results also show that the partnership is a winning form only when it is specifically aimed at exploration, that is to say, when it refers to the launch of new albums by previously unpublished artist.

**KEY WORDS:** alliances, innovation, growth, recording industry

---

Researchers in organization and management theory have increasingly become interested in the capacity of firms to manage innovation on a continuous basis. Media and creative industries are increasingly regarded as key settings for traditional organizations to draw lessons upon (Markides, 2006), due to the structural changes they are witnessing and to the high pace of introduction of new titles. They are also extremely interesting fields of analysis for entrepreneurial activity, as entrepreneurial dynamics, in the form of talent discovery and development, lie at the heart of these industries' value proposition

*Copyright © 2008 Journal of Media Business Studies. Paola Dubini and Bernardo Provera, "Chart Success and Innovation in the Music Industry: Does Organizational Form Matter?" 5(1):41-65 (2008).*

(Hesmondhalgh, 2002). Media and cultural industries are prototypical in nature (Caves, 2000), in that up to 50% of revenues for both producers and distributors are related to new titles. Therefore, continuous renewal of artists' portfolios and successful management of new titles introduction are strategic capabilities that some companies appear to master better than others; in this paper, we look at the innovative activity of firms and question what type of companies are more likely to successfully introduce innovation in the market.

On the one hand, the entrepreneurship literature has traditionally stressed the role of the ability of individuals to recognize opportunities to change and to creatively define their space within the system (Penrose, 1959). It could therefore be expected that entrepreneurial ventures would be faster in grabbing new market opportunities and develop new products. On the other hand, the literature on incumbents-newcomers relationships highlights the pervasive capability of incumbents to survive in turbulent times and to engage in new product development. Furthermore, this stream of research has shown that consolidated structures within industries, the existence of gatekeepers in both production and distribution, and incumbents' competitive retaliation (Teece 1986; Chandler 1990; Christensen, Bower 1996, Teece, Pisano, Shuen 1997) are all powerful barriers hampering Schumpeterian innovations from finding their space in the market (Grant 1996; Anderson & Tushman, 1990; Zahra & Bogner, 1999). This line of reasoning would therefore lead to expect that success from innovative behavior would favor consolidated players in the industry; while entrepreneurial firms are strategic actors in driving novel products and services, incumbents do enjoy slack resources and competences that enable them to overcome resilience and sometimes complacency and beat newcomers strategic anticipative initiative (Tripsas 1997). From the organizational point of view, the challenge of managing new and old products would require organizational solutions allowing firms to simultaneously explore new market opportunities and to exploit consolidated positions (March, 1991).

As typical of most media settings (see Caves, 2000), the music industry has traditionally been characterized by a "major vs. indie" duality. Indeed, the market has historically been populated by few large, multinational organizations (majors), and by a high number of niche players (indies). Most studies on the music industry have focused on understanding how the two organizational models, or forms, influenced key competitive variables like innovation and chart success (Lopes, 1992; Dowd, 2004; Ordanini, 2006). In recent years, though, the proliferation of inter-firm alliances has pushed researchers to increasingly explore the role of these networks in affecting the performance of member firms (see for example Gulati, 1998; Gulati, et al, 2000); in the music industry, these networks are often shaped in the form of "partnerships"; a partnership is a one-off project that occurs when a major and an indie co-produce an album, releasing it via co-branding.

In this article, we are interested in exploring the extent to which different organizational forms (namely major, indie or partnership) are conducive for innovation; our empirical base consists of the US music industry between 1991 and 2005.

We identified the music industry as a revelatory setting to investigate the dynamics of innovative performance in a media setting for a variety of reasons. First, the music industry is a hyper-competitive 'chart business' (Jeffcutt & Pratt, 2002), in which the achievement and sustainability of competitive advantage depends on the volume and level of product success over a typically short time span. Second, the music industry is characterized by extremely high rates of failure of new ventures, as only 10-15% of new albums manage to break even (Burnett, 1999). Finally, the industry has recently experienced dramatic environmental turbulence, caused by the difficulty by incumbents to exploit an externally-originated technology, the mp3 compression format (Barfe, 2004). The US market was chosen because of its size and relevance in shaping the industry behavior at the global level.

Our research fits in the broader discussion on what organizational form is more instrumental for a successful management of innovation; since the seminal work of Cyert and March (1963), management scholars have been interested in understanding how companies maximize their performance by balancing explorative behavior into new domains with more conservative behaviors directed to exploiting rents. As inter-firm alliances are increasingly used to cope with the costs and risks associated to innovative behavior, some scholars (e.g. Gulati, 1999; Lavie, 2006) argue that competences that are embedded in the partnership impact the performance of interconnected firms. Therefore, in this study we seek to answer to the following questions: Which organizational form is more innovative? Which organizational form is more successful in managing innovation?

We capture organizational form by focusing on the distinction between major firms, independents, and partnership alliances. We consider the nature of entrepreneurial success as twofold, entailing commercial performance both in terms of peak position and in terms of rents sustainability, and we take into consideration the intensity of innovative activity by distinguishing between new titles offered by new artists, new titles launched by consolidated artists and remakes or compilations of past successes by consolidated artists. Finally, we consider the music genre as a control variable. We focus on the partnership form as a novel type of venture, in which the traditional ability of independent firms to explore new domains and search for new artists (March, 1991) mingles with majors' ability to exploit consolidated routines (Nelson & Winter, 1982) to reach top performance for extended periods of time.

In this article, thus, we investigate the relationship between the partnership form and chart success. Our aim is to understand whether the adoption of an emerging organizational structure, following

increasing environmental turbulence in a creative setting, may predict competitive outcomes. Our results show that the partnership form yields superior performance when high innovation is sought, that is to say when companies launch albums of previously unpublished artists.

The article is organized as follows. In the next section, we review the literature on management of innovation, with a specific focus on the relationship between incumbent firms and new ventures, as well as on the role of organizational form in driving innovation. We then contextualize it within a specific media setting, the music industry. Subsequently, we discuss our methodology by illustrating the characteristics of our database, and by describing our measures. We then present our results and we discuss them in the light of current research on entrepreneurship and media settings, and conclude by addressing limitations and potential avenues for future research.

## REVIEW OF THE LITERATURE

### *Continuous Innovation and Organizational Form*

All companies face the strategic challenge of ensuring a continuous flow of innovation, while enjoying the benefits of past successful decisions. The interplay between companies within an industry—namely between incumbents and newcomers, as well as between large, generalist firms and smaller, specialist players—is often analysed with respect to entrepreneurial and innovative dynamics (Huygens, et al., 2001; Lavie, 2006). Diversity of players, among incumbents as well as newcomers, is often regarded as a major source of strategic innovation. Aron and Lazear (1990), for instance, found that new markets are likely to be opened up by new entrants, or by firms that do not occupy dominant positions in existing markets. This is due to several reasons. First, compared to incumbents, these firms are likely to benefit from the advantage of high-variance strategies. Moreover, new entrants do not suffer from issues of product cannibalization, which rather affect incumbents, in introducing new products. Finally, incumbents are more likely to suffer from diseconomies of scope than new entrants, so that entry in new markets is proven to be a less risky strategy for new entrants.

Other authors have looked at the role of different players from the point of view of strategic change at both the industry and company level (Markides, 1997; 1998). Strategic change takes place when a company identifies gaps in industry positioning, goes after them and, then, such gaps grow to become a new mass market. These gaps may consist in emerging customer segments (or existing customer segments ignored by current competitors), emerging customer needs (or existing customer needs not fully served), and new ways of producing, delivering, and distributing existing (or new) products or services to existing (or new) customer segments. These gaps emerge because of changing consumer

tastes and preferences, of changing technologies and regulation, or of other kinds of exogenous changes, although a company may proactively stimulate them. The difficulties faced by incumbents in dealing with strategic change are related to several factors: cannibalization, conventional wisdom, internal and external rigidity, incompetence, overconfidence, low sense of urgency, as well as a “general lack of incentive to abandon a certain present (which is profitable) for an uncertain future” (Markides, 1998: 33).

Yet, evidence shows that even if newcomers are more likely to identify new opportunities and are more active in introducing new products in the market, incumbents are often better off in systematically pursuing innovation and commercially profiting from it; stronger financial position allows them to acquire innovative entrepreneurial ventures or specialized skills necessary to successfully sustain the innovation flow, should myopia or organizational resilience hinder the company to timely introduce new products. Viewed from the point of view of the individual company within the industry competitive dynamics, all these contributions share the idea that all players are faced with the challenge of being innovative, but that the intensity of the innovation activity may vary, as a function of the role played by the company and the degree of technological discontinuity at the context level. One explanation why different companies deal with innovative behavior in a different way, is offered by the RBV theory of the firm (Rumelt, 1984; Wernerfelt, 1984) that conceptualizes firms as individual entities consisting of bundles of idiosyncratic resources (Barney, 1991, Amit & Shoemaker, 1993) that each of them leverages and strengthens in order to build and sustain competitive advantage.

In their struggle to cope with the need for a continuous flow of innovation, companies may decide to put in place a competitive or a cooperative behavior. The literature concerning incumbent-newcomers relationships suggests that if newcomers possess unique and complementary resources and competences, it might be both players' interest to implement co-opetitive strategies (Brandenburger & Nalebuff, 1996). Co-opetition literature enhances the advantages—even opportunistic ones—of competing over certain resources while cooperating over complementary ones. This literature also highlights the variety of cooperative arrangements that can be put in place, allowing the returns accruing to individuals and the collective benefits enjoyed by all parties involved to be simultaneously exploited, together with the variety of rent-seeking behaviors associated with this (Lado, Boyd & Hanlon, 1999).

Strategic alliances are one form in which such co-opetition takes place; for all companies involved, strategic alliances may simultaneously allow for innovative behavior and risk minimization; in recent years, indeed, the role of organizational form and structures has become increasingly relevant, as organizations have extensively engaged in outsourcing practices, which have significantly altered traditional

organizational boundaries. Outsourcing and the extensive use of strategic alliances has not only affected operations and production processes, but also units that are key in driving innovation, like R&D. Besides outsourcing, many organizations have also pursued extensive alliances in order to control the increasing complexity of the competitive arena. Consequently, innovation activities are increasingly managed through a network of alliances embracing both suppliers and competitors (Trott, 2005). This trend challenges both strategy and organization scholars as it has significant implications on the applicability of the resource-based view for interconnected firms (Lavie, 2006) on the one hand and on the role of organizational form and design in influencing key performance variables on the other (Lawrence & Lorsch, 1967; Miles & Snow, 1978; Nohria & Eccles, 1992); more specifically, it is still unclear what the relationship is between these new forms and individual firms' performance and/or realized entrepreneurial capacity. On the one hand, outsourcing may pose a threat to a firm's entrepreneurial activity, as organizations may stop investing in knowledge-intensive capabilities and resources. On the other hand, managing innovation through a network of sourcing alliances may enhance a firm's entrepreneurial capacity, and may be viewed as a viable path to develop organizational ambidexterity (O'Reilly III & Tushman, 2004), or the capability of operating to simultaneously accomplish exploration and exploitation (March, 1991). Therefore, for a given company, the choice of the most appropriate organizational form should take into consideration simultaneously both the innovation potential as well as performance maximization.

### ***Majors and Independents in the Music Industry***

Inter-organizational relationships among firms with different organizational forms and structures are a fundamental feature of competitive dynamics in media and cultural settings. In particular, the music industry is dominated by four major players: SonyBMG, Warner, EMI, and Universal. These are all multinational companies that, together, control approximately 80% of worldwide turnover (Gander & Rieple, 2002). Numerically, though, the market is dominated by a variety of smaller organizations that specialize in content origination (Jeffcutt & Pratt, 2002). These firms are generally referred to as "independents" or "indies". Their size ranges from that of micro-businesses, run in a craftsmanship fashion, to that of medium organizations operating across different countries and genres. Moreover, the number of indies has constantly grown over the years, as producing an album is a relatively small-scale process which may require a limited financial budget (Hesmondhalgh, 2002).

Majors are longstanding industry incumbents that have survived waves of economic and technological change over several decades. For instance, Universal Music was founded in 1924, EMI in 1931, Warner Music in 1958, and BMG (now with Sony) in 1987. These companies are

the result of a progressive series of mergers and acquisitions. For instance, EMI Music was born as a result of the merger between the UK Columbia Gramophone Company and the Gramophone Company, while SonyBMG resulted from the merger of Sony Music and the Bertelsmann Music Group. In the last decade, however, mergers and acquisitions have progressively become a more difficult growth option for incumbents: on the one hand, high barriers to entry in the form of increasing concentration in distribution have made it more difficult for indies to reach visibility and therefore to become an appealing acquisition target for majors. On the other hand, deteriorating market conditions hampered the development of new majors and made it more unlikely for majors to allocate significant budgets for acquisition activities.

The independent setting is characterized by turbulent trends in both birth and mortality rates, the former being due to the relatively small-scale process of recording an album, the latter to the high failure rate of new releases (Dowd, 2004). Traditionally, indies owe their competitive advantage to their superior ability to discover new market segments, in the form of new genres and artists. Visibility and access to a variety of distribution channels is the major barrier to growth and to keep successful artists under contract. Once Indies prove successful in their scouting of new artists and genres and reach a relative size, they face competition with other incumbents, including majors, as well as newcomers promoting new artists and genres.

In the past 15 years, the diffusion of digital technologies has determined a structural change in the industry that, for the first time in their history, majors have had difficulties to cope with. New distribution channels and new consumption modes of musical content have determined a massive erosion of majors traditional sources of competitive advantage, related to the ability to control the top selling titles across genres. Indies were generally faster in understanding the potential associated to managing an artist across several channels and were therefore able to circumvent majors in their tight control of the top positions in sales charts and of the traditional distribution and promotion channels. At the same time, competition from new forms of consumption, together with the fragmentation of distribution and promotion structures made it necessary to explore new ways to manage innovation on a continuous basis. As acquisitions are no longer the most feasible growth strategy from the major's point of view and as growth is structurally an issue for indies, inter-firm alliances started to develop in the form of partnerships between majors and a growing number of indies.

The nature of the relationship between majors and indies is at the center of a debate in the literature. Some authors argue that the relationship between majors and indies remains inherently conflicting and characterized by a neat "them and us" perspective (Gander & Rieple, 2002: 251). Majors are regarded as networking organizations operating in subcontracting mode, in which a relatively small core group of actors "set strategic directions and sustain the network over time" (Starkey,

Barnatt & Tempest, 2000: 299) by bringing in peripheral organizations on a task-by-task basis. Majors are criticized for a limited commitment to discovering new talent, essentially relying on a “wait-and-see” strategy (Barrow & Newby, 1994: 70). According to this view, indies take on the risk of discovering new talent. In case their attempts prove to be successful, majors step in to negotiate the transfer of the artist within their ranks.

Other authors argue that the relationship between majors and independents is profoundly cooperative, resulting in a form of “symbiotic mutualism” (Burnett, 1999; 104), or “co-optation” (Hesmondhalgh, 2002). According to this view, majors are aided by thousands of smaller independent companies that strive to produce innovative acts on the scene. By outsourcing part of the risk associated with innovation, majors react more flexibly to changes in fashions. In turn, indies are granted the backing of a sound financial partner, and can concentrate on the artistic aspects of researching and developing novel acts. The issue of entrepreneurship in the music industry has been under-researched within organization and managerial studies, which have traditionally failed to investigate patterns of production and consumption in media industries (Lampel et al., 2000; Jeffcutt & Pratt, 2002). In our case, entrepreneurship can be regarded as the ability to bring new artists to commercial success, as granted by the entry in music charts. In particular, our research aims at investigating the extent to which new artists reach commercial success in music charts, as well as the extent to which alliances between generalist and specialist organizations may effectively transfer resources, skills and knowledge to mutually improve their products and competitive positions (Levitas, Hitt & Dacin, 1997; Mezas & Mezas, 2000).

The issue is relevant in understanding how firms achieve industry development and rent appropriation processes. As cultural industries deal with the identification of signs and symbols that shape and influence collective sense-making (Hesmondhalgh, 2002), the constant ignition of new signs is an intrinsic feature of the industry. Therefore, it is important that the competitive dynamics within the industry do not hinder the innovation process. For individual artists, the assessment of the most effective process leading to visibility and market success is crucial for their ability to live on their talent (Ordanini, 2006).

Nonetheless, the discovery and launch of new artists and titles is a necessary but not a sufficient condition to fuel the innovation process. Given the oversupply that characterizes most media industries (Anderson, 2006), it is crucial that titles gain visibility in the market, gathering sufficient preferences to turn them into sustainable ventures rewarding authors, publishers and distributors of their investments. Charts and lists of top selling titles are both a cause and an effect of commercial performance; once a title enters the charts, it becomes very visible and, therefore, attracts new listeners, opening up a variety of

strategic options for the author and publisher to exploit and increase visibility (Anand & Peterson, 2000).

Moreover, the interplay between new product introduction and visibility occurs within a range of genres. Genre is one of the most common classification criteria for cultural and media products, as it is a powerful segmentation criterion which characterizes each title and makes it recognizable and differentiated from other cultural products (Peterson, 1997; Negus, 1999). At the same time, a univocal genre definition for a specific title is extremely complex, as technological innovation and taste evolution contribute to blur boundaries among genres, thus making hybridization a common innovation pattern in media and cultural settings (Altman, 1987; Waterman, 2005). One consequence of industry dynamics is that new genres or subgenres such as alternative music, punk, or rap have either emerged or consolidated, as revivals on the one hand and tastes evolution on the other constantly impact the evolution of preferences. Some genres address the needs and preferences of much more select group of users, while others are popular across wide segments of population, even at the global level. This implies a marked specialization of artists and labels is required, leading to the consolidation of networks of relations dominated over time by the same actors (MacFadyen & Cannella 2004; Uzzi & Spiro, 2005).

In the past few years, the amount of titles available to the public has increased dramatically. First, a series of innovations associated with content production have led to an increase of the already significant amount of titles available in the market. According to Anderson, “in music, the number of new albums released grew a phenomenal 36% in 2005, to 60 000 titles in the US, up from 44 000 in 2004” (2006; 54). Second, the number of indies has constantly grown over the years, as producing an album is a relatively small-scale process which may require a limited financial budget (Hesmondhalgh, 2002). Third, the diffusion of digital technologies has determined the growth of new distribution channels, the economics of which are radically different from that of their bricks-and-mortar counterparts (Evans & Wurster, 2000, Anderson, 2006). As all these physical and virtual distributors thrive to position themselves in the competitive arena, they all require content to sustain their value proposition. At the same time, as users’ demographics vary across channels (and not just across genres), both majors and indies are faced with an increase in their scope of activity. As all players need to maximize visibility for their titles, new product release must take into account the interplay between channels in the journey to the most visible positions. As signs and symbols evolve, new authors come to the scene, fuelling the industries with innovative content. The success of collaborative websites such as Youtube.com testifies to the relevance and volume of new content production. Only a minor portion of such a production is selected by publishers and is proposed to the public. Cultural firms and the gatekeeping structures associated with them bear the entrepreneurial risk to transform creative artifacts into products and

propose them to the market. As only a tiny fraction of these titles becomes so visible to become hits, the long-term survival of firms heavily depends on these selection capabilities, since artistic creativity is a resource that firms can neither control nor create, but can only select and drive it to the market (Wijnberg, 1995; Lampel et al., 2000).

### ***In Search of Success: Coping with Innovation***

One of the effects of the advent of digital technologies has been the increase of the oversupply of production. Managing this massive amount of titles is a huge task for all actors involved (from artists to producers, retailers, and customers) and a major source of waste. The vast majority of albums that reach the market does not provide adequate return on the investment to either the artist or his/her label. Only 10-15% of new albums manage to break even (Burnett, 1999), and for those who make it, there is a disproportionate percentage of resources allocated to few extremely visible superstars (Rosen, 1981; Adler, 1984; Neff, et al., 2005), who absorb a vast majority of media as well as audience attention (Pine & Gilmore, 1999). It is therefore not surprising that while the emergence of a variety of distribution channels for digital content, and the ease to produce, legally modify and diffuse user-generated content have made it economically viable to publish content even for minute and scattered audiences, the fight for visibility among few albums and producers makes the discrepancy between top selling titles and the overall production wider and wider. As new technologies have caused a blossoming of new products and content-based solutions and services (some of which have built impressive audiences in extremely limited time spans and gathered attention of the public opinion), the discrepancy between the business logic behind highly-visible mass market titles, on the one hand, and hyper-specialized products, on the other hand, is stronger and more evident than ever.

Therefore, visibility is a key determinant in defining business models in cultural and media industries. As only a very limited percentage of titles stand out as a blockbusters, a separate competitive space is defined by those titles that do have a chance beforehand to make it to the top and those that are able to generate a snow ball effect in a limited time frame, so that they belong to the “socially constructed information regimes that compile reports about ‘the market’.” (...) In competitive fields, market information regimes provide a focus of attention around which groups of organizations consolidate (...). In competitive market fields, performance-related information is the raw material from which organizational actors make sense of their environment. The outcome of this process is an enactment of a ‘market.’ Market information regimes are the medium through which producers observe each other and market participants make sense of their world (Anand & Peterson, 2000: 272).

Literature analysis, as well as common wisdom would therefore suggest that major and indies are organizational forms that would be

able to take benefit only in part of the competitive nature of the music industry: Majors seem to be more adequate in exploiting innovation, while indies would be expected to be more innovative. As successfully competing in the industry requires both innovation and visibility to be reached simultaneously, major-indie partnerships should be the most successful organizational form. We therefore aim at testing the following hypotheses:

*H1:* The adoption of the partnership form will positively influence the chart performance of the company;

*H2:* The relationship between the partnership form and chart performance will be stronger when such partnerships are focused on exploration, that is to say on highly innovative projects.

Therefore, the focus of this paper is on the role of organizational form (indie, major, partnership alliance) in influencing two strategic dimensions of entrepreneurial activity: chart success and innovation. While the first concept captures the ability of generalist and specialist organizations to gain visibility and, ultimately, commercial success, the latter dimension is an indicator on their future ability to sustain or improve their current market position.

## METHODS

Our research is focused on the US music industry, which is the largest market worldwide in terms of both turnover and innovation rates (Vogel, 2004). The research relies on *Billboard* charts, which have been repeatedly considered as a reliable source to assess competitive dynamics in the music industry (see Anand & Peterson, 2000; Dowd, 2004). The database contains information on weekly US album charts from 1991 to 2005. The database presents weekly information on the Top 200 albums entering the charts, thereby offering a representative sample of the industry's dynamics, also mitigating potential biases of sampling on the dependent variable. We relied on two research assistants to integrate the database by creating a variable assessing whether each album is a new album by a new artist, a new album by an established artist, or a catalogue album (e.g. greatest hits, live, reissue). This allowed us to discriminate among different degrees of innovation. In addition to that, each organization album has been identified as belonging to a major, an indie, or a partnership. Finally a genre variable has also been added to as a control variable. A number of secondary sources were employed to assess such variables. In particular, we relied on electronic sources and databases (Hoover, Factiva) to track the story of each album and organization via industry publications and websites. The process took six

months to complete, and was carried out in accordance to previous scientific studies (for a discussion, see Dowd, 2004).

### **Measures**

In order to operationalize our constructs, we employed the following measures:

**Organizational Form** We employed three categories to operationalize organizational form as either major, indie, or partnership. A partnership occurs when a major and an indie co-produce an album, releasing it via co-branding. Categories are operationalized with two dummy variables referring to indie and major forms. The dummy for the partnership variable is redundant and, thus, not included, albeit it is the reference category for the data analysis and interpretations of results. Following Dowd (2004), the assessment occurred via a triangulation of different industry-related sources, including music magazines (e.g. *Billboard*, *Rolling Stone*, etc.), music encyclopedias and books, business press (*Financial Times*, *The Wall Street Journal*, etc.), and company websites. This process allowed us to trace mergers and acquisitions which may have occurred along the period under observation and, thus, to keep track of potential changes in organizational form (e.g. an indie being acquired by a major).

**Chart success** Chart success was measured by building a weighted measure to capture two key dimensions of success. The measure weights duration (number of weeks on chart) and “absolute” success (peak position), thereby merging elements of longevity with visibility. Like other media settings, indeed, the music industry is a competitive “chart business” (Jeffcutt & Pratt, 2002), in which competitive advantage depends on the volume and level of chart success over a limited time span. Consequently, chart duration and position are significant determinants of commercial success (Ordanini, 2006).

**Patterns of Innovation** We have pointed out two patterns of innovation that are relevant to our setting, exploitation and exploration. Following Dowd (2004), exploitation and exploration were operationalized as categorical ordered variables, by triangulating data relative to both the artist and the album (see Dowd, 2004). Exploitation was operationalized by assigning the value of 0 to reissues of albums by established artists (e.g. greatest hits, compilations, reissues). Exploration was operationalized by assigning the value of 1 to new albums by new artists. A positive slope coefficient of an explanatory variable implied a positive effect on the novelty of a release.

**Genre** We employed category variables to measure genre typology. In order to assess which genre to assign a particular album, we relied on the

classification provided by iTunes music portal, which classifies every song and album on sale. We chose iTunes as it is the most comprehensive available resource for finding, purchasing, and classifying music. Overall, we identified 6 music genres, including pop, R&B, country, dance, alternative, and rock.

Initially, we run a descriptive analysis of recent market trends in order to explore how, in recent years, record companies have changed innovation strategies following the steep decline in industry sales. Results show the emergence of the partnership form as a strategic option to market highly innovative projects. We then run exploratory regression analyses (OLS) to investigate the effects of form on chart performance, in order to assess the actual outcome of such changes in strategic focus.

## RESULTS

### *Descriptive Results*

Table 1 shows the evolution in the time interval considered of the dynamics of the top selling list. The intensity of competition has increased in the time frame considered. First, the turnover of artists and titles at the top has increased. This means that more artists get to be very visible, but the average time on top of the list has progressively decreased. From the company point of view, this means that managing innovation has become more crucial and more risky over time, as the window of rent exploitation has progressively reduced and the cost of reaching visibility has increased. Second, artists who make it to the top positions of the charts consolidate their position by issuing more titles in the same year. By doing so, they leverage on the visibility obtained with one hit to push another one. This phenomenon has increased over the time frame considered and somewhat balances the higher chances to make it to the top opened up by a higher titles turnover. Again, this is a sign of tougher competition within the industry, as artists that make it to the top with multiple titles with a shorter life span are not only likely to require more efforts to reach the top with a shorter time to recover from the investment, but also they are likely to increase their bargaining power over the record company.

Table 2 and Table 3 present descriptive results relative to chart success and innovation, as clustered by organizational form. Numerically, majors occupy a dominant position in terms of overall albums in the charts (63%), with indies (29.9%) and partnerships (7.1%) following. However, majors produce only 54.2% of albums classified as highly innovative, while indies produce 36.7% and partnerships 9.1%.

Overall, most albums fall into a “medium innovation” category (45.8%), which entails the release of a new album by an established act.

Table 1: Chart dynamics in the music industry

Table 1. Chart Dynamics in the Music Industry

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
N.artists top position	14	12	17	22	19	21	26	14	23	19	25	23	33	28	32
N.artists positions 1-3	28	26	30	35	30	40	45	48	47	44	51	56	67	65	76
N.artists top ten	49	61	71	83	65	79	79	100	94	103	126	121	131	125	159
N.artists top 100	299	278	309	325	33	349	368	377	384	403	424	448	478	498	538
N.titles top 10	56	71	79	91	80	89	98	129	109	114	136	132	144	134	169
N. artists top 10 with > 1 album	4	5	5	4	4	2	5	8	7	6	6	5	4	7	7
N.titles top 100	367	360	405	421	452	464	484	509	545	525	567	595	622	627	675
N. artists top 100 with > 1 album	36	48	52	50	52	40	46	39	52	41	48	56	46	55	60

Table 2. Chart Success and Innovation by Organizational Form

	Major	Partnership	Indie	Total
Album in Charts (number; %)	6811 (63%)	768 (7.1%)	3221 (29.9%)	10800
High Innovation (New album by new artist)	1270 (Overall %= 54.2%)	212 (Overall = 9.1%)	861 (Overall %= 36.7%)	2343 (21.7% of total albums)
Medium Innovation (New album by established artist)	3234 (Overall %= 65.3%)	354 (Overall % = 7.2%)	1363 (Overall % = 27.5%)	4951 (45.8% of total albums)
Low Innovation (Reissue)	2307 (Overall %= 65.1%)	202 (Overall % = 5.8%)	997 (Overall % = 29.1%)	3506 (32,5% of total albums)

Table 3. Descriptive Results by Organizational form: innovation

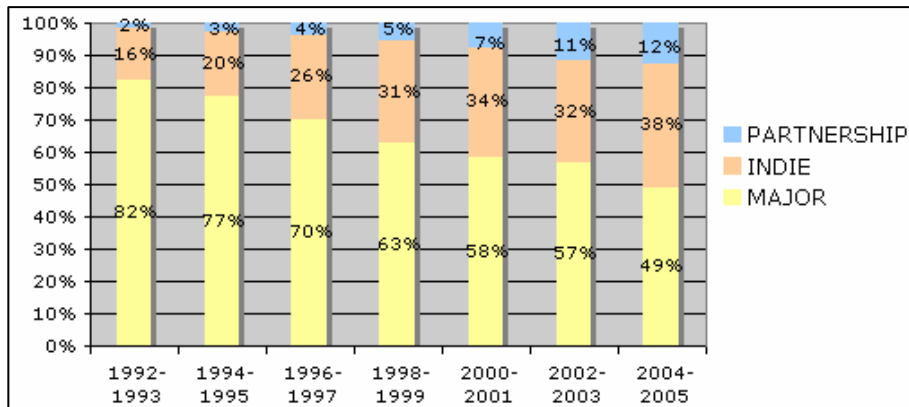
	Major	Partnership	Indie
High Innovation (New album by new artist)	18.6%	27.6%	26.7%
Medium Innovation (New album by established artist)	47.5%	46.1%	42.3%
Low Innovation (Reissue)	33.9%	26.3%	31.0%
Total	100%	100%	100%

Note: ANOVA F-test score result, 25.98; Prob. > F = 0.00

Table 3 partitions innovation levels within organizational forms, showing that, in relative terms, majors only allocate 18.6% of their resources to the production of “high innovation” albums. On the contrary, partnerships devote 27.6% and indies 26.7% to launching new albums by new artists. In order to test whether or not the difference in the allocation of resources across the types of innovation was actually due to the difference in the organizational form, we conduct an ANOVA test. The results show that there are statistically significant differences between forms and the type of projects in which they engage.

Figure 1 shows the evolution of relative market shares between 1992 and 2005. The data highlight a significant reduction in the relative number of albums sold by majors, going from 82% in 1992 to 49% in 2005. Conversely, the percentage of album produced by indies increased from 16% to 38%. Finally, the number of albums sold via partnership increased from 2% in 1991 to 12% 2005.

Figure 1: Chart Albums by the 3 Organizational Forms, 1991-2005



The industry-wide recession that began in 2000 actually reduced market space for major organizations, to the benefit of indies. Nonetheless, major organizations reduced part of this gap by relying on an increasing number of partnerships with independent firms, in an attempt to share part of the risk associated with new ventures.

In the following paragraph, we focus on the partnership form to shed light on this novel type of venture, which has been shown to have acquired an increasingly important role within an industry historically characterized by a major-indie duality.

### **Chart success**

We now turn to the relationship between organizational form and chart success, controlling for genre effects. We employed a hierarchical regression (OLS) with a log transformation of our dependent variable, since our data was markedly skewed to the right. Table 4 provides an illustration of our findings.

According to our first hypothesis, the partnership form should have positively influenced chart success. However our results do not support the hypothesis, since the effect of the partnership form is negative and significant (Model 1, Table 4). Such relationship remains statistically significant after controlling for potential effects related with music genres (Model 2, Table 4).

However, our results support hypothesis two, which predicted that the positive relationship between the partnership form and chart performance would have been stronger when such partnership were focused on exploration. Indeed, our results show that the effect of the partnership form on performance becomes positive and significant, when the partnership is aimed at an exploration strategy (Model 3, Table 4).

Table 4: Chart Success and the Moderating Role of Exploration and Exploitation

	Model 1	Model 2	Model 3	Model 4
R&B	-0.284	-0.248	-0.261	-0.261
Rock	0.651**	0.577**	0.573	0.572
Pop	0.355	0.306	0.308	0.304
Dance	-0.111	-0.130	-0.115	-0.111
Country	0.468**	0.366	0.358	0.361
Alternative	0.293**	0.225	0.217	0.219
Partnership		-0.973**	-1.094**	-1.150**
Part x Explorat.			0.680**	
Part x Exploit				0.872
R <sub>2</sub>	0.049	0.078	0.084	0.086
Adjusted R <sub>2</sub>	0.045	0.074	0.079	0.079
Change R <sub>2</sub>		0.029	0.006	0.002
F-change	11.316	41.957**	8.144**	2.156

Note: \*\* p < 0.05; As the independent variable is binary it is not possible to center it

Overall, these results might be interpreted by considering that the formal implementation of a partnership may be costly and less efficient than the original forms (i.e. major or indie), since it implies set-up investments, as well as building a new relationship and know-how. This might explain why the adoption of the partnership form does not positively influence the chart performance of the new venture and, thus, why hypothesis one is not supported. Along another line of thought, it could be argued that the availability of specialized complementary assets for majors allow them to maximize performance. This suggests that managers focusing on performance maximization as their ultimate goal not undertake alliances.

However, when the implementation of the partnership is substantiated by the conjunct enactment of an exploration strategy, such form is able to significantly contribute to the chart performance of the album. On the other side, this trend is supported by the fact that the effect of the partnership form, when used to implement an exploitation strategy, is not significant for the album performance (Model 3, Table 4).

In terms of managerial implications, some prescriptions might emerge when comparing this empirical test and the description of the major trends in the industry we provide in Fig. 1 and 2. Indeed, the increased number of partnerships is not enough to achieve sustained competitive advantage during a technological discontinuity. In order to allow the partnership form to express the benefits related to its flexibility and knowledge transfer capability, an explorative strategy of innovation should be implemented within it.

## **DISCUSSION AND CONCLUSIONS**

The music industry has witnessed in the last 15 years important structural changes that have forced companies to increase the rate of new titles introduction; as average permanence in charts has decreased, it has become crucial for both majors and indies to be able to sustain growth with a constant flow of new titles.

Our descriptive results have shown that organizational form is a relevant variable in explaining the dynamics of chart success and innovation in the music industry. In particular, our data show how a new organizational form, the partnership, has emerged in the last decade to capture significant market share. The longitudinal data illustrate how the number of partnerships increased from 12 in 1992 to 179 in 2005, with a 1391% increase. Our results indicate that the organizational form (namely partnership) does make a difference in the introduction of highly innovative projects.

These results contrast with the much debated duality between majors and indies which, at least in the past, characterized competitive dynamics in the music industry (see Negus, 1999; Gander & Rieple, 2002; Dowd, 2004; Ordanini, 2006).

Consequently, we sought to explore the relationship between partnership and chart success, to assess whether this emerging organizational form could predict competitive outcomes. Our results show that the partnership is a winning competitive formula only when it is specifically aimed at exploration, by focusing on the launch of new albums of new artists. As partnerships are intrinsically risky and costly (as they require the development of ad hoc routines, etc.), our results indicate that they should be pursued in those cases in which both companies involved can leverage their relative strengths. In other words, this seems to be a valuable strategy when the financial and market competence of majors on the one hand and the flexibility of indies on the other are necessary and exploited at the same time.

In general, evidence from the preliminary analysis shows that sourcing alliances do play a vital role in underpinning the dynamics of innovation in the music industry. Significant relationships exist between majors and indies, as the partnership form emerges as extremely important in leading innovation into the charts, particularly as far as exploration activities are involved. While majors alone do not focus on bringing innovative acts to commercial success, indies may fail to do so because of a lack of commercial resources. Both companies strive to select and propose new artists and titles, but majors and indies join forces by leveraging on complementary strengths via partnerships. Our results confirm the notion that majors and indies engage in a form of symbiotic mutualism (Burnett, 1999) rather than in competitive opposition (Jeffcutt & Pratt, 2002). These results support the idea that majors hold control of marketing and distribution dynamics. Besides control over the

strategic lever of distribution (Caves, 2000), one of the reasons may be that majors are generalist organizations focusing on mainstream genres like pop, rock, and R&B, which are more likely to enter the charts (Negus, 1999; Jeffcutt & Pratt, 2002).

Indies may exploit the relationship by acquiring from the former the capital required to finance scouting for and launching new talent. Accordingly, established firms in media industries appear to “create, sustain, and nurture a network of feeder firms—of young, entrepreneurial firms busy colonizing new niches” (Markides, 2006: 24). Most interestingly, the relationship between major and indies recalls that of large pharmaceutical firms and small biotechnology firms. In this context, the former rely on the latter to carry out exploration in innovative and risky research domains, while biotechnology firms exploit pharmaceutical firms’ access to marketing and distribution resources to reap commercial reward from innovation (Kaplan, Murray & Henderson, 2003; Khilji, Mroczkowski & Bernstein, 2006). By doing so, majors manage to achieve organizational ambidexterity (O’Reilly & Tushman, 2004), or the simultaneous achievement of exploration (i.e. innovation) and exploitation (i.e. chart success).

We suggest that the study of charts may shed light on a variety of competitive dynamics characterizing media settings, as they carry out several functions (Anand & Peterson, 2000; Dowd, 2004). First, they signal organizations information on the success patterns and lifecycles of their products, as well as those of competitors. Second, they provide information to other key stakeholders as wholesale distributors and retailers, as well as concert promoters and radio and TV programmers. Third, they help consumers mitigate the typical uncertainty characterizing quality assessments of media and cultural products (Caves, 2000), signalling those products that have already been “accepted” by a given share of peer consumers. Fourth, they address media companies in shaping their R&D policies, providing clear feedback on the typology of artists, albums, and genres that are more likely to make it to the top.

### ***Limitations and Future Research***

Our research calls for a number of potential avenues for future research, in order to deepen the understanding of entrepreneurial dynamics in media industries. Future research may further explore the relationship between organizational form and genres. In particular, it would be helpful to gain a deeper understanding of how genre dynamics influence and/or mediate the relationship among organizational form, competitive success, and innovation. One of the consequences of the advent of digital technologies in the content industries has been the explosion of distribution channels and the possibility to develop viable business models for serving niche markets. This eventually means that the signaling effect of top selling albums charts to potential audiences tends

to reduce, particularly as legal commerce of titles in a digital format grows. Therefore, it would be appropriate to complement the analysis for top performing titles in different channels and check for consistency of results in terms of the relationship between organizational form and performance. Moreover, a longitudinal study may be helpful to assess whether the key dynamics of entrepreneurial success evolve over time. For instance, it would be interesting to understand the potential effect on entrepreneurial activity of the global recession affecting the music industry between 2000 and 2004. It could be expected, for instance, that the recession may negatively impact innovation, as organizations may focus on traditional, more predictable acts, rather than risk investments in new releases (see Peterson & Berger, 1975; Lopes, 1992; Dowd, 2004).

However, our model only explained a limited amount of the variance of the performance of the albums involved. This suggests that there may be other issues at play when predicting album performance. In particular, we have not yet included a set of control variables, that might be relevant to control for the effect of the characteristics of the companies (beyond organizational form) and of time. These two factors may account for a part of the variance that is not explained by our model. Furthermore, our classification of innovation is still quite simple. For instance, we have not yet attempted to measure the novelty of the genre, which in this industry is a very important indicator of truly innovative behavior. In particular, future research may investigate whether commercial success and innovation are significantly influenced by the typology of genre. This is a variable that is very difficult to operationalize, due to the fact that genre contamination is a key element driving novelty in content industries.

Moreover, we have not captured the popularity of the artist and the extent to which he/she can affect the perceived innovativeness and popularity of the album. As the duration in charts decreases, successful artists tend to introduce several songs in a limited amount of time, so as to increase the halo effect and maximize their popularity, thus affecting the title performance. We suspect that the person or group involved and the quality of their music may be a key driving force of the performance of the albums released. Nonetheless, we do not think that the inclusion of control variable for firm and time effects would significantly weaken our findings. Indeed, these might reinforce the view that organizational factors drive superior performance in this industry.

Furthermore, our analysis focused on the music industry. We hold that cross-industry analyses may provide interesting insights on the competitive dynamics of entrepreneurship in media settings. Research on TV productions, movies, radio broadcasting, publishing, etc. may be used to compare and contrast evidence from the music industry.

Our analysis focused on the traditional music business model, based on the production and distribution of physical outputs (CDs). Nonetheless, media industries have been recently affected by business model disruption, following the diffusion of digital technological

platforms. Consequently, future research may investigate the role played by different channels in giving visibility to new titles and whether digital and internet-based applications have an impact on entrepreneurial activity in media settings.

Finally, additional measures of performance and innovation may be employed. For instance, we suggest to weight measures of chart longevity with the level of chart positions reached, as well as with potential seasonality effects (e.g. entering the charts before Christmas implies selling more records than in mid-August).

## References

- Altman, R. (1987). *The American Film Musical*. Bloomington, Indianapolis: Indiana University Press.
- Amit R. and Shoemaker P. (1993). Strategic Assets and Organizational Rent *Strategic Management Journal* 14:33-46.
- Anand, N. & Peterson, R. A. (2000). When Market Information Constitutes Field: Sensemaking of Markets in the Commercial Music Industry. *Organization Science*, 11, 270-284.
- Anderson, C. (2006). *The Long Tail: how endless choice is creating unlimited demand*. London: Random House Business Books.
- Anderson, P., & Tushman, M. L. (1990). Technological Discontinuities and Dominant Designs: A Cyclical Model of Technological Change. *Administrative Science Quarterly*, 35: 604-633.
- Aron D. J., Lazear E. P. (1990). The Introduction of New Products *The American Economic Review*, Vol. 80, No. 2, pp. 421-426.
- Barfe, L. (2004). *Where have all the good times gone? The rise and fall of the record industry*. London: Atlantic Books.
- Barney J. (1991). Firm Resources and Sustained Competitive Advantage *Journal of Management* 17: 99-120.
- Barrow, T. & Newby, J. (1994). *Inside the Music Business*. London: Routledge.
- Burke, A.E. (1996) The dynamics of product differentiation in the British recording industry. *Small Business Economics*, 9(6), 463–471.
- Bengtsson, M., Kock, S. (2000). Coopetition in Business Networks: to Cooperate and Compete Simultaneously. *Industrial Marketing Management*, 29(5): 411-426.

- Brandenburger, A.M., Nalebuff, B.J. (1996). *Coopetition, A Revolution Mindset That Combines Competition and Cooperation: The Game Theory Strategy That's Changing the Game of Business*. New York: Currency/Doubleday.
- Burke, A.E. (1997) Small firm start-up by composers in the recording industry. *Small Business Economics*, 9(6), 463–471.
- Burnett, R. (1999). *The Global Juke Box. The international Music Industry*. London: Routledge.
- Caves, R.E. (2000). *Creative Industries: Contracts between Art and Commerce*. Cambridge, MA: Harvard University Press.
- Chandler A. (1990). *Scale and Scope: the Dynamics of Industrial Capitalism*. Harvard University Press Cambridge, Mass.
- Christensen, C. and J. Bower, (1996). Customer Power, Strategic Investment, and the Failure of Leading Firms. *Strategic Management Journal*, 17(3): 197-218.
- Cyert R.M. and March J.G. (1963) *A behavioural theory of the firm* Englewood Cliffs NJ; Prentice Hall.
- Delmestri, G., Montanari, F., & Usai, A. (2005). Reputation and strength of ties in predicting commercial success and artistic merit of independents in the Italian feature film industry. *Journal of Management Studies*, 5, 975-1002.
- Dowd, T.J. (2004). Concentration and diversity revisited: production logics and the U.S. mainstream recording market, 1940-1990. *Social Forces*, 82, 1411-1455.
- Gander, J. & Rieple, A. (2002). Inter-organisational Relationships in the worldwide popular recorded music industry. *Creativity and Innovation Management*, 4, 248-254.
- Gnyawali, D.R., He, J., Madhavan, R. (2006). Impact of Coopetition on Firm Competitive Behavior: An Empirical Examination. *Journal of Management*, 32,4:507-530.
- Grant, R. M. (1996). Prospering in dynamically-competitive environments: Organizational capability as knowledge integration. *Organization Science*, 7(4): 375-387.
- Gulati R. (1998). Alliances and Networks *Strategic Management Journal* 19: 293-317.
- Gulati R. (1999). Network location and learning : the influence of network resources and firm capabilities on alliance formation *Strategic Management Journal* 20:397-420.
- Gulati R. , Nohria N. and Zaheer A., (2000). Strategic networks *Strategic Management Journal* 21 (Special Issue) 203-215.
- Hesmondhalgh, D. (2002). *The cultural industries*. London: Sage.

Huygens M, Van Den Bosch F.A.J., Volberda H. W., Baden-Fuller C. (2001). Co-Evolution of Firm Capabilities and Industry Competition: Investigating the Music Industry, 1877-1997. *Organization Studies*, Vol. 22, No. 6, 971-1011.

Jeffcutt, P. & Pratt, A.C. (2002). Managing creativity in the cultural industries. *Creativity and Innovation Management*, 4, 225-233.

Kaplan, S., Murray, F. & Henderson, R. (2003). Discontinuities and senior management: assessing the role of recognition in pharmaceutical firm response to biotechnology. *Industrial and corporate change*, 4, 203-233.

Khilji, S.E., Mroczkowski, T. & Bernstein, B. (2006). From invention to innovation: Toward developing an integrated innovation model for biotech firms. *Journal of Product Innovation Management*, 23, 528-540.

Lado, A. A., Boyd, N. G., Hanlon, S. C. (1997). Competition, Cooperation, and the Search for Economic Rents: A Syncretic Model. *The Academy of Management Review*, 22,1:110-141.

Lampel, J., Lant, T. & Shamsie, J. (2000). Balancing act: learning from organizing practices in cultural industries. *Organization Science*, 11, 263-269.

Lavie D. (2006). The competitive advantage of interconnected firms: an extension of the resource based view *Academy of Management Review* 31,3, 638-658.

Lawrence, P. & Lorsch, J. (1967). Differentiation and Integration in Complex Organizations. *Administrative Science Quarterly*, 12, 1-30.

Levitas, E., Hitt, M.A., and Dacin, M. T. (1997). Competitive intelligence and tacit knowledge development in strategic alliances. *Competitive Intelligence Review*, 8, 20-27.

Lopes P.D. (1992). Innovation and Diversity in the Popular Music Industry: 1969 to 1990, *American Sociological Review*, 57, 46-71.

McFayden, M.A. & Cannella, A.A. (2004). Social capital and knowledge creation: diminishing returns of the number and strength of exchange relationships. *Academy of Management Journal*, Vol. 47, 5, pp. 735-746.

March, J.G. (1991). Exploration and Exploitation in Organizational Learning. *Organization Science*, 2, 71-87.

Markides, C. (1997). Strategic Innovation *Sloan Management Review*; Spring; 38, 3; pagg. 9-23.

Markides, C. (1998). Strategic Innovation in Established Companies. *Sloan Management Review* Spring 1998, Vol. 39, No. 3, pp. 31-42

- Markides, C. (2006). Disruptive innovation: In need of Better Theory. *Journal of Product Innovation Management*, 23, 19-25.
- Mezias, J.M. & Mezias, S.J. (2000). Resource partitioning, the founding of specialist firms, and innovation: The American feature film industry, 1912-1929. *Organization Science*, 3, 306-322.
- Miles, R.E. & Snow, C.C. (1978). *Organizational strategy, structure, and process*. New York: McGraw-Hill.
- Negus, K. (1999). *Music Genres and Corporate Cultures*. London: Routledge.
- Nelson R.R. and Winter S.G. (1982). *An evolutionary theory of economic change* Cambridge MA Harvard University Press
- Nohria, N., Eccles, R.G. (1992). *Networks and Organisations: Structure Form and Action*. Boston, MA: Harvard University Press.
- O'Reilly, C.A. & Tushman, M.L. (2004). The Ambidextrous Organization. *Harvard Business Review*, April, 74-81.
- Ordanini A. (2006). Selection models in the music industry: How a prior independent experience may affect chart success *Journal of Cultural Economics* DOI 10.1007/s10824-006-9013-8
- Penrose, E. T. (1959). *The Theory of the Growth of the Firm*. New York: John Wiley.
- Peterson R.A., Berger D.G. (1975). Cycles in Symbol Production: The Case of Popular Music, *American Sociological Review*, 40, 158-173.
- Peterson, R. A. (1997). *Creating Country Music, Fabricating Authenticity*. Chicago: Chicago University Press.
- Rumelt R.P. (1984). Towards a strategic theory of the firm *Competitive Strategic Management* 26; 556-570.
- Starkey, K., Barnatt, C. & Tempest, S. (2000). Beyond networks and hierarchies: Latent organization in the U.K. television industry. *Organization Science*, 3, 299-305.
- Teece, D. (1986). "Profiting from Technological Innovation: Implications for Integration , Collaboration, Licensing and Public Policy," *Research Policy*, 15: 285-305.
- Teece, D., G. Pisano, and A. Schuen. (1992). "Dynamic Capabilities and Strategic Management." *Strategic Management Journal*.
- Thomas L.A. (1995). Brand Capital and Incumbent Firm's positions in Evolving Markets *The Review of Economics and Statistics* 77,3,522-534.

Trott, P. (2005). *Innovation Management and New Product Development*. London: Prentice Hall.

Uzzi B. (1996), The sources and consequences of embeddedness for the economic performance of organizations: the network effect *American Sociological Review* 61: 674-698.

Uzzi B. (1997). Social structure and competition in interfirm networks: the paradox of embeddedness *Administrative Science Quarterly* 42: 35-67.

Uzzi, B. & Spiro, J. (2005). Collaboration and Creativity: The Small World Problem *American Journal of Sociology*, volume 111, pages 447–504

Vogel, H.L. (2004). *Entertainment Industry Economics. A Guide for Financial Analysis*. Cambridge: Cambridge University Press.

Waterman D. (2005). *Hollywood's Road to Riches* Harvard University Press.

Wernerfelt B. (1984). A resource based view of the firm, *Strategic Management Journal* 5; 171-190.

Wijnberg, N.M. (1995) Selection processes and appropriability in art, science and technology. *Journal of Cultural Economics*, 24(2), 113–134.

Zahra, S.A., & Bogner, W.C. (1999). Technology strategy and software new ventures' performance: Exploring the moderating effect on the competitive environment. *Journal of Business Venturing*, 15: 135-173.

## **Acknowledgement**

The authors wish to acknowledge the help of Chiara Paolino, Stefano Tonella and Maria Mancusi in the collection and analysis of data, as well as the organizational support from the Art, Science and Knowledge (ASK) Centre of Bocconi University

