Value Chain Envy: Explaining New Entry and Vertical Integration in Popular Music

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SOM theme B Innovation and Interaction

ABSTRACT
The desirability of establishing a value chain at a particular stage in a value system can be considered to depend on the relation between the value that can be created and the value that can be captured at that particular stage. Value chain envy motivates firms to invade the more desirable stages of the value system, either through new entry or vertical integration. The feasibility of establishing a value chain, however, can be considered to depend on the efficacy of the means to value protection at that particular stage. The concepts of value creation, capture, and protection within value systems are employed to analyze recent developments in the recorded music industries, particularly those affecting the stage of music publishing. Over the course of the 20th century the value created at the stage of music publishing diminished steadily, while the value captured remained high, thereby giving rise to value chain envy. On the basis of the proposed theoretical framework one could expect these developments to trigger strategic responses to remedy this value chain envy. However, most actors, except the major record companies, were unable to do so until new information communication technologies were introduced. Industry level data do indeed corroborate that vertical integration by major record companies was followed, from the mid-1990’s onwards, by a significant increase in the prevalence rate of newly founded SMEs in the music publishing industry in the Netherlands. These newly founded firms are testimony to new entry or vertical integration by musician-entrepreneurs, thereby providing support for the advanced arguments.

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1 Helpful suggestions and comments to this paper were provided by Thijs Broekhuizen, Charles Carroll, Stefan Mol, Ayse Saka and Filippo Carlo Wezel. The usual disclaimer applies.
Introduction

Porter (1985) suggests analyzing the creation of value using the concepts of the value chain and the value system. The value chain describes the process of value creation within a particular firm, while the value system considers the process of value creation in a series of consecutive value chains. The value system can thus be regarded as consisting of a sequence of stages, each of which describes a distinct and economically significant activity, at which value is added to the value created at earlier stages, eventually adding up to the value held by the final product. Stated succinctly, a value system describes the path a product takes, with the initial supplier of primary input at one end, and the final consumer at the other.

Although tracing the sources of value held by the final product or service may be a very informative enterprise, the framework by itself cannot predict the likelihood of vertical (dis-) integration, nor can it be used to predict the relative attractiveness of particular stages within the value system. This paper aims to extend the notion of the value system by looking not just at the value created but also at the value captured and protected at the various stages. Whereas the desirability of being located at a particular stage in a value system depends on the relation between the value that can be created and the value that can be captured, the feasibility of being located at that particular stage depends on how well that value creating activity can be shielded from (potential) competitors. The ensuing desirability will give rise to ‘value chain envy’ when firms perceive other firms at different stages in the respective value system capturing more value compared with the value they create. Value chain envy can change over time either because of changes in the determinants of value creation or because of changes in the determinants of capturing value. This paper proposes that while value chain envy will result in attempts at vertical integration or new entry, the viability of these endeavors depends on how well value is protected at this desirable
stage. The reach of value protection - as will become apparent from this investigation - often extends beyond one particular stage, as the product needs to pass through the remainder of the value system. Therefore, value protection is a relative notion - as it are value creation and value capture - which can only be fully understood by taking into account the whole value system. As such, the value protection that a company enjoys at one stage may have strong implications for the value protection at the adjacent stages. Likewise, Teece (1986) provided useful insights into how value could not be captured from a valuable invention, as the crucial stages further downstream proved impenetrable. In these cases, the means of value protection relevant at one stage could be transferred and hence effectuated at other stages as the successful commercialization of a product depended upon them. Even a reversed process was observable as competitors integrated backward by inventing around the patent of the original invention.

Although the theoretical arguments that were discussed in the above are posited to hold for other value systems as well, this study embarks on an analysis of the value system of the recorded music industries, and more specifically the music-publishing industry. Several rationales exist for the examination of especially these industries in terms of value creation, value protection, and value capture. Firstly, the strategic management literature has recently shown increased interest to describe the cultural industries in these terms: Crossland and Smith (2002) have analyzed value creation in the fine arts; Miller and Shamsie (1996) have investigated value capture in the movie industry; Gemser and Wijnberg (2001) have looked at issues of value protection in the design industry. Secondly, the simultaneous manifestation of both vertical integration and new entry as strategic responses to value chain envy in recent years makes the stage of music publishing an especially well-suited case for the appraisal of the aforementioned framework. Thirdly, the proposed framework seems especially relevant after the introduction of a new technology, namely ICT, which has well-documented implications for the way in which value was created, captured and
protected in the recorded music industries. As such, the case of the music industries could serve as a point of reference for analyzing other industries, which are affected in similar vein by the advent of ICT.

In the recorded music industries, as in other cultural industries, the artists are usually considered to be the prime creators of value. However, the successful commercialization of a musical work depends on the co-operation of many other players, and subsequently the returns have to be shared with actors occupying different stages in the value system, most notably the music publishers and the record companies. Traditionally, the other players possessed stronger means to capture value enabling them to skew the distribution of profits in their favor. It will be argued that, while value creation at the stage of music-publishing steadily diminished in the course of the 20th century, the means to capture value remained strong (Negus 1992), because the price of the music-publishing services was institutionalized and determined by legal sanctions rather than by actual created value (Caves 2000). As a result, being located at the stage of music publishing became increasingly desirable and elicited value chain envy on the part of the other economic agents in the value system. On the basis of the proposed theoretical framework one would expect these developments to give rise to new entry as well as to vertical integration into music-publishing.

After explaining the value creation/value protection/value capture framework more fully in the next section, the value system of the music industry will be explored, focusing in particular on the position of the music publishers in relation to the other actors in the value system. Data on the music-publishing sector will be presented and analyzed on the extent to which they can be interpreted as strategic responses to value chain envy, as our theoretical framework suggests. Finally, some preliminary conclusions are drawn and suggestions for further research are made.
The concept of value plays a pivotal role in the study of competitive advantage. It can be argued that one of the main contributions of the resource-based view (RBV) is its emphasis on the importance of ownership of specific assets that enable firms to create value. Recently, however, criticism has been raised against the resource-based view for the lack of an adequate appreciation of what actually constitutes ‘value’ (Bowman & Ambrosini 2000, Priem & Butler 2001, Foss & Foss 2002). Although the debate between the RBV’s advocates and critics is still far from resolved (Makadok & Coff 2002), both sides seem to agree that the study of the relationship between the creation and capture of value needs further exploration and development. In this regard the distinction made by Bowman and Ambrosini (2000) between ‘value creation’ and ‘value capture’ seems useful (Priem 2001, Makadok & Coff 2002, Foss & Foss 2002). Bowman and Ambrosini (2000) described value creation as the contribution to the utility of the final good to end users and they coined value capture as the difference between revenue and cost. Subsequently, Foss and Foss (2002) proposed to distinguish between creating, capturing and protecting value, arguing that firms use resources to capture value and to protect themselves against the threat of other firms capturing it.

Although Foss and Foss (2002) do not clarify relations between firms at different locations in a single value system, the distinction between the capture and the protection of value may prove useful for a closer examination of vertical relations. Firms are generally regarded to compete laterally; with similar firms, occupying the same stages in the value system, and success in this dimension is the foundation for the realization of profit. However, as actual costs and profits are made through transactions with firms upstream and firms downstream in the value system, it is this vertical dimension that determines the firm’s potential profitability. Thus, firms can
be considered as being engaged in competition along two dimensions: lateral, by preventing competitive imitation of this value creating activity through value protection; and vertical, by realizing profits from this value creating activity through value capture. This distinction allows one to study the relationship between value creation, value capture and value protection, not just in the context of a single firm, but in the context of an entire value system (Porter 1985), helping to explain the dynamic processes of new entry and vertical integration.

Value creation is a seemingly ostensible concept in the economic literature. Standard textbooks equate the value of a product with the economic value to consumers, defining how much a consumer is willing to pay. However, what actually constitutes value is determined by the relevant selectors. Within a selection system selectors specify (Wijnberg & Gemser 2000) the essential characteristics of the value creation by the selected. The selected are competing with each other for recognition from the selectors, whose decisions will influence the outcome of this process. The selection system thus provides a shorthand description of the relation between value, the selectors, and the selected; or more generally of competitive process itself: the way in which winners are distinguished from losers (Wijnberg 1995). Paraphrasing Porter (1985), the value system can be said to describe a series of stages, where value creating activities are in competition with each other to favorably influence the outcome of the prevailing selection system at each respective stage.

Protecting value is mainly a lateral activity as it is concerned with preventing (potential) competitors from profiting through competitive imitation. Firms that attempt to protect value are engaged in lateral competition, defined here as the competitive processes taking place among firms with similar value chains and operating within the same stage(s) of the value system. As has been emphasized by both the advocates of the resource based view (Barney 1986) and the authors supportive of the dynamic capability perspective (Conner 1991, Montgomery &
Wernerfelt 1988, Peteraf 1993, Wernerfelt 1984) (Dierickx & Cool 1989), firms can only attain superior performance by warding off competitive imitation(Nelson & Winter 1982, Teece et al 1997, Amit & Schoemaker 1993). Several means of value protection that have proven themselves to be effective in the prevention of competitive imitation have been discussed in the literature. They can either be formal, taking the shape of institutionalized monopolies such as patents (Mansfield et al 1981, Levin et al 1987, Cohen et al 2000) and copyrights (Towse 2000) or be non-formal, such as causal ambiguity (Reed & DeFillippi 1990) and the threat of loss of reputational capital (Gemser and Wijnberg, 2001).

Capturing value, on the other hand, is mainly associated with the vertical dimension of the value system, depending on the ability to realize profits in terms of bargaining power vis-à-vis neighboring stages: buyers downstream and suppliers upstream (Makadok & Coff 2002). As such, capturing value is the outcome of the competitive processes taking place among firms with dissimilar value chains. The authors that were mentioned in the above mainly focused on protection against imitation by lateral competitors and neglected to a large extent the issues relating to value capture and vertical competition. Ultimately, profits are made vertically and not laterally, as the product passes through the sequence of supplier-buyer relationships that make up the value system.

Imbalances & Value Chain Envy

Teece (1986) was among the first to present an integral approach to the exploration of the relationship between creation, capture and protection of value within a vertical setting. He described how inventors, although being the owners of patents, were unable to market their products successfully because the competition controlled so-called complementary assets in the areas of marketing and distribution, which were crucial for the commercialization of the product. The full exploitation of the invention
could only be realized if the innovators were allowed enough time to develop these complementary assets further downstream. Teece notes, however, that the durability of patents as a means of protection may only be strong enough to ward off competitive imitation for a limited period of time, as the competition can eventually innovate their way around the original invention. One way to resolve this problem quickly is through the acquisition a firm, which holds these complementary assets. For acquisition may not always be a realistic option - especially for SMEs - the innovators may be forced to seek alliances with firms holding the complementary assets (Shane 2001). As will be shown in the remainder of this paper, seeking alliances has been the strategy of choice for musicians in the recorded music industries.

Although Teece's exposé on complementary assets is instrumental for the purpose of analyzing the vertical context of a firm, two fundamental points of criticism can be leveled against it. Firstly, the complementary assets as used in Teece's analysis are defined in a very ambiguous fashion and seem to be employed alternatively as value creation, protection, and capture. Initially, he defines complementary assets as marketing and distribution channels further downstream, which are mainly a description of distinct stages of value creation within a particular value system. In another instance, however, complementary assets are treated as certain means of value protection, when Teece notes that these complementary assets manifest themselves as activities that may not be easily imitated. In a third instance, complementary assets are regarded as means of value capture when Teece concludes that the initial inventors may not be able to harvest the value of an invention as they lack certain crucial assets.

Secondly, although Teece did discuss value creation, protection and capture in a vertical context, lateral competition among firms with similar value chains, i.e residing at the same (set of) stages within the value system, remained the scope of his
analysis. When the complementary assets in his framework are effective elsewhere in the value system, the (lateral) competitive battle is won by the firm, which can first lay its hands on them. Rather than the race between actors with similar value chains that Teece proposes, the authors of this paper contend that competing for value capture is a constant ‘tug-of-war’ between actors with dissimilar value chains. Just as industries differ with respect to the availability of the means to capture value (Cockburn & Griliches 1988), the various individual stages in the value system may, and usually will, differ with respect to the availability and efficacy of the means to capture value. Consequently, alongside with the creation of value, value is captured at the different stages of the value system, as figure 1 illustrates. The analogy of a tug-of-war seems useful in this respect because the price paid by the final consumer is equal to the value being captured by the entire value system. As a result the total amount of value capture has to be shared among all the actors creating value at different stages in the value system. Therefore vertical competition can be considered a zero-sum game, in which winners and losers operate at different stages of the value system. Value captured at a certain stage cannot be captured elsewhere in the value system. This implies that if more value is being captured at one stage in the value system, less value will automatically be captured at one or more of the other stages, with consequences for the relative profit margins that can be achieved at the different stages. If the value creation equals the value capture at each of the stages, the system is said to be stable. Conversely, figure 1 illustrates a system that is highly unstable because at all the stages - except for the stage of ‘production’ – created value and captured value are not in equilibrium. At the stages of ‘primary input’ and ‘retailing’ much value can be captured in relation to the value being created, possibly because at these stages particularly effective means of capture are available. This situation can therefore induce value chain envy, as it is perceived that these stages provide the opportunity for realizing supernormal profits. Value chain envy may be especially

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2 Although the presence of supernormal profits are an indication of an imbalance between value creation and value
strong at the stage of ‘distribution’, because at this stage the value being created exceeds the value being captured.³

As a result the distributors may want to resolve their value chain envy by attempting to vertically integrate into, for instance, the retailing stage. Whether they are able to do so will depend, among other factors, on the defensive measures taken by the firms at the retailing stage. However, it should be clear that in the argument advanced in this paper, value protection is only of interest after the relation between value creation and value capture has resulted in value chain envy. The availability of strong means of value protection says little about the attractiveness of a stage or, as Teece (1986) capture, the absence does not necessarily imply weak means of value capture. As Coff (1999) notes different stakeholder groups are competing for the profits within a single company, most notably the shareholders and the employees. The absence of profit, as such, could only be an indication of the employees being able to negotiate more salary and not necessarily weak means of appropriation for the company as a whole.

³ The reader should note that the stage of the distributor is not (necessarily) one marked by losses; it simply means that part of the value created at this stage is captured elsewhere in the value system. The same holds true for the songwriter as will become clear in the remainder of document.
noted, the profitability of the firms residing at that stage, but their presence at a stage which is attractive in terms of the relation between created and captured value serves to make value chain envy more than a fleeting emotion. Thus, value protection is a necessary but not sufficient condition for value chain envy to last.

**Vertical Integration & New Entry**

As discussed earlier, instability of the value system will lead to value chain envy and will consequently elicit strategic responses by other actors, who will try to occupy the more desirable stages by engaging in new entry or vertical integration. Strategic responses of this nature have been examined within two distinct streams of literature: vertical integration within the industrial organization and strategic management literatures and new entry within the entrepreneurship literature. Whereas the former looks into the reconsideration of a firm's existing value chain through vertical expansion (or contraction), the latter looks into the initiation (or termination) of a firm's value chain through new entry or (exit). The two paradigms differ greatly when explaining the desirability to be located at a particular stage in the value system. Whereas the vertical integration literature reasons from the perspective of potential benefits, the new entry literature reasons from the perspective of potential liabilities. The vertical integration literature, usually taking the perspective of the large incumbent firm, offers a wide range of possible explanations for the attractiveness of vertical integration e.g., buffering against uncertainty (Thompson 1967, Pfeffer & Salancik 1978, Miner et al 1990), price considerations (Stigler 1951, Carlton 1979), reducing communication costs (Casson & Wadeson 1998, Wadeson 1999), and resolving hold-up problems (Klein et al 1978, Williamson 1975, Williamson 1985). The vertical tug-of-war between firms with dissimilar value chains, which are competing to capture value, is simply assumed to be nonexistent or irrelevant for the large incumbent firm. However, if a large firm has plans to vertically integrate into a stage, where another firm enjoys strong means of value protection vertical integration may become problematic.
The entrepreneurship literature, on the other hand, seems to accommodate the arguments advanced in this paper. It stresses that small firms are especially constrained in terms of resources vis-à-vis the other actors in the industry, which is often the result of poor funding (Laitinen 1992, Holz-Eakin et al 1994, Cressy 1995, Cressy 1996). Hence, capturing value can prove to be an arduous task for SMEs. As a consequence new entry is deemed particularly viable in an industry where the liabilities are equal for all firms, such as, either an industry at the beginning of its technological lifecycle (Shane 2001) or when existing means of value capture of large firms are rendered obsolete by the introduction of a new technology (Schumpeter 1950). More recently, the entrepreneurship literature has looked into how technological advances have leveled the playing field for SMEs and large firms alike. Because of ‘flexible specialization’ SMEs in some industries gained competitive advantages, which had traditionally been deemed to be the exclusive domains of large firms and as a consequence of which the means to capture value came within reach of the SMEs (Piore & Sabel 1984, Aiginger & Tichy 1991, Loveman & Sengenberger 1991, Norton 1992).

The proposed framework may be used to explain the viability of strategic responses of SMEs as well as of large firms in the context of value chain envy. As such, Teece’s (1986) case of the innovating company that owns patents may now be reconsidered as being envious of the value captured by the holders of complementary assets further downstream. The ability to act upon this envy is posited to depend on the level of value protection present at that particular stage. Whether or not these means of value protection can be beat depends on the endowments, which a firm possesses. Because these endowments differ greatly between small firms with large firms, the boundaries between the various value creating stages in the value system maybe permeable for large firms while being impermeable for SMEs and vice versa. In the former case large innovative firms may be able to remedy value chain envy by integrating into
means to capture value, whereas innovative SMEs may not. Because SMEs are financially constrained they may have to resort to licensing that particular technology instead (Shane 2001). When means of value capture are not prevalent or rendered obsolete by a new technology, innovative SMEs may be able to maintain a competitive edge over large firms as was argued by Shane (2001). This could explain new entry in the Schumpeterian sense. In such cases large firms may not be able to resort to vertical integration as a quick fix to value chain envy because of organizational inertia (Hannan & Freeman 1984).

**The Recorded Music Industries**

This section provides a detailed description of the recorded music industries, and more specifically the music-publishing industry, in order to illustrate the theoretical framework presented in the previous section. Firstly, this entails an analysis of value creation, value capture and value protection within the value system of the recorded music industries. By subsequently applying the proposed framework to the recorded music industries the stability of the value system will be analyzed by investigating the strategic responses to value chain envy in terms of vertical integration and new entry. The increasingly attractiveness of occupying the stage of music publishing and the corresponding value chain envy at neighboring stages will also be elucidated.

Although the general argument advanced in the theoretical section can be applied to the entire value system, this paper presents a partial analysis, as it limits the scope of investigation to value chain envy at the neighboring stages of the music publishing industry, which are the stages inhabited by the musicians and the (major) record companies. Secondly, the observed backward integration by major record companies into music publishing in recent years will be analyzed by arguing that the possession of strong means of value protection in the areas of recording, reproduction, and distribution were crucial for being able to strategically respond to this value chain envy. This is illustrated by. Thirdly, the effects of the introduction of ICT will be
discussed in order to arrive at a fuller understanding of how the arrival of digital technology in the music industries diminished the importance of these means of value protection means of value protection, providing ample opportunities for other actors to act on value chain envy. Industry level data of the Dutch music publishing industry will be presented and analyzed on whether or not they show increasing levels of new entry towards a stage that is desirable in terms of the relationship between created and captured value.

Value Creation

Until the advent of electronification (Frith 1988) at the end of the 19th century, the performance and consumption of music coincided in space and in time; the consumption of music was limited to live performances. The electronification of music, however, enabled the recording of a musical work. From this point onwards, music could be consumed in the absence of the musician: either through broadcasting or through the purchase of recorded music. The arrival of recording technology also implied that a musical work could be endlessly reproduced, rendering the musical product fit for mass consumption (Adorno 1941). Prior to this, mass consumption of a musical work was only possible via the dispersion of sheet music, which enabled the live reproduction of a musical work in, for instance, the local concert hall (Caves 2000). These developments that were to change the face of the music business, created a new market for sound recordings, which inundated the conventional markets for sheet music and live performances.

Manufacturing multiple copies of a sound recording required different economic activities, which transformed the value system. Firstly, new economic activities, i.e. the recording and reproduction of a sound recording, needed to be accommodated. Secondly, existing economic activities were greatly affected as well; the methods of publishing, distribution, marketing, and retailing were substantially revised and changed to meet the demands of the market for sound recordings. Billboards and
newspapers were eventually traded for radio stations (and later by television) as the preferred outlet for marketing endeavors (Huygens 1999).

The value system that emerged from this transitional period is depicted in figure 2, which displays the vertical relationships between the major players in the recorded music industries. Each stage denotes a particular value creating activity. Composers create the musical work; the artists perform (be it for concerts or for recordings); the music publishers publish sheet music and are responsible for the collection and administration of royalties derived from the musical work; the record companies are responsible for the recording, reproduction, and distribution of multiple copies of the musical work in the form of records and compact discs; and finally the retailing sector sells the musical work to the final consumer either in the form of sheet music or of a packaged sound recording. Marketing is not listed as a specific value creating activity because in principle marketing is an element relevant to every stage in the value system. The specifics of value creation, especially those relating to the stage of music publishing, will be addressed in the next section.

4 The reader should bear in mind that figure 2 is an abridged model of the value system of the recorded music industries; a more detailed representation could be drawn up, including other actors such as, managers/agents, studio musicians, sound engineers/mixers and producers. However, for purposes of clarity these stages are not included, as they do not play a significant role in the arguments advanced in this paper.
The electronification of the music industry also prompted the need to redefine the issues related to value protection in order to ward off competitive imitation of not only the composition but also of the sound recording. In the period following the introduction of recording technology, formal and non-formal means of value protection can be discerned. Whereas the formal means relate to derivatives of copyright, the non-formal means are mainly concerned with production assets that limit competitive imitation.

A closer examination of the formal means of value protection reveals that because of recording technology the scope of copyright had to be expanded, accommodating...
value protection of the sound recording. Currently, three sets of rights can be distinguished: mechanical rights, performance rights, and synchronization rights. Mechanical rights relate to the distribution and reproduction of a composition, in the form of sheet music, and of a sound recording, in the form of a packaged product. Record companies are usually granted the right to reproduce and distribute a sound recording by obtaining mechanical licenses against a negotiated fee. Similarly, print licenses are granted to companies that manufacture and distribute sheet music. Performance rights relate to the rights to publicly broadcast the composition or sound recording. These rights are automatically licensed to the public broadcasters (radio and TV) as well as the proprietors of public places, such as nightclubs and restaurants, via the performance rights societies. The third category of the synchronization rights, albeit of lesser importance, relate to the rights to use a musical work to accompany visual images. The music publishers play a pivotal role as intermediaries between the composers and performers, on the one hand, and the licensees, on the other hand. For these services they are usually awarded a fee of 50 percent (except for sheet-music sales) of the proceeds by the composers and performers (Caves 2000), as will be discussed in more detail in the section on music publishing. Next to these derivatives of copyright, other formal means of value protection can be discerned as well. Record companies negotiate long-term contracts with musicians in the early stages of their careers, preventing them or rival record companies from capitalizing on their attained stardom if they prove to be commercially successful (Kretschmer et al 1999, Cameron & Collins 1997).

Putting the non-formal means of value protection under scrutiny reveals that because recording technology enabled the mass production of a musical work in the form of a sound recording, realizing efficient modes of production was key. This required large

5 The music publisher's share of print royalties on sheet music is 20 percent of the retail price; the composer's share is 8-10 cents per song (Butler 2000).
amounts of sunk costs that had to be made to realize scale advantages in the areas of reproduction, marketing and distribution. These financial requirements could only be met by a few players: the well-established major record companies. These sunk costs successfully warded off competitive imitation by (potential) competitors in these areas (Peterson & Berger 1975). The resultant value protection was so robust that even the competing independent record companies were often forced to seek alliances with the major record companies, as they proved unable to invade these highly profitable stages (Lopes 1992, Hesmondhalgh 1996, Dowd 2000).

Value Capture

In spite of these seemingly robust means of value protection, the opportunities to capture value in the recorded music industries are summed up by the sobering statistic that about 10 percent of the new releases finance the losses made on the remainder of musical works that are introduced to the market (Vogel 1998). In similar vein, Kretschmer, Klimis and Choi (1999), refer to the notorious ‘10: 90 proportionality’, under which 10 percent of the products account for 90 percent of the sales. In short, the commercialization of a musical work does not guarantee the capture of the value created. The success of a musical work is largely dependent upon the access to the areas of recording, reproduction, and distribution. It is through the possession of assets that major record companies can secure vast means to capture value (Burnett 1996, Kretschmer et al 1999, Caves 2000). Consequently, contracting creative talent in the music industry has often been referred to as a ‘dealmaker's delight’ (Vogel 1998), because, in the past, musicians - although being holders of the copyrights - were fully dependent on the cooperation of the major record companies to market their music. Musicians usually had to accept minimal compensation for their endeavors, as the major record companies were able to exert extraordinary bargaining power. The result of this situation was that musicians were basically tied to the major recording industry without a viable alternative such as setting up their own record company (Burke 1997). This runs parallel to the arguments put forth by Shane (2001),
who showed that there is a lower likelihood of the exploitation of an invention through new entry when complementary assets in the areas of marketing and distribution are of crucial importance for the realization of value capture. Upon releasing a new musical work, the musicians were forced to forge alliances with the record companies, being the holders of the relevant assets. Consequently, the dependence of the musicians on major record companies has been linked by several scholars to the rate of innovation in the market for recorded music (Peterson & Berger 1975). As a result of this dependence, copyrights - which offer strong means of value protection - are generally traded down the value system and are effectuated in terms of value capture at a different stage than where they were initially created (Towse 2000).

As mentioned in the previous section on value protection, even the competing independent record companies tried to initiate strategic alliances with the major record companies because of these their leveraged position in the areas of recording, reproduction, and distribution. These alliances were indispensable to these so-called ‘indies’ as they facilitated the international release of a song via the distribution channels of the major record companies as well as the production of music videos (Lopes 1992), which was an important marketing tool after MTV was launched in 1981. From the point of view of the major record companies these alliances brought more than just short term financial benefits; the major record companies were able to better monitor the innovative behavior of the independent record companies (Hellman 1983, Hesmondhalgh 1996), allowing them to follow the trends the indies were setting, for instance by introducing new labels, or make better-informed decisions to take over these smaller competitors (Hesmondhalgh 1996).
Music-publishing and Value-Chain Envy

As was discussed earlier, the music publisher essentially functions as an intermediary between the songwriters and the market. Music publishers promote the performance, reproduction and publication of a musical work, be it in the form of sheet music or in the form of a sound recording. In the early 1900s the main revenue for music publishers was derived from the sale of sheet music of compositions made by contracted songwriters. For the commercialization of a song, it was crucial to get hold of a performer, who was willing to play the song in front of a live audience. After a song became well-known through live performances in public places, sheet music sales would follow, enabling (mainly amateur) musicians to reproduce it. It even became common practice to pay a well-known performer or band-leader for taking a song in his repertoire (Caves 2000). Consequently, promotion and marketing featured prominently among the economic functions of the music publishers. Relating to the value system depicted in figure 2; the music publishers were operating between the stages of composition and performance, which gradually changed after recorded music gained importance relative to sheet music. These times also saw the revenue derived from the royalties of a song being split 50/50 between the publisher and the composer. The means to capture value in the early 1900s were strong, and if the music publishers were not ‘adequately’ rewarded, the success of a song was greatly diminished (Caves 2000).

Although music publishers traditionally made a considerable contribution to the success of a song, their role has greatly diminished over time (Negus 1992, Burnett 1996). Because of the increasing popularity of recorded music the functions of marketing and promotion of a song shifted to the record companies during the 1960s. A parallel development was that the market for sheet music saw a sharp decline. Several reasons may be distinguished as to why this market came to collapse.
Firstly, with the advent of rock music in the 1950s, the reputation of pop-stars relied increasingly on their ability to express themselves not only in terms of performance but also in terms of voicing their personal ideas and beliefs (Frith 1996). This led to the prevalence of the singer-songwriter, which entailed that many of the professional performers became self-sufficient by composing their own material and consequently did not need to rely on the music publisher to provide them with a musical repertoire (Caves 2000). Secondly, composers, who were also performing, became wary of sharing their musical compositions because it entailed that other performers changed from being customers to potential competition (Caves 2000). Thirdly, whereas sheet music used to enable performers to reproduce a musical work during a performance this became increasingly difficult because reproducing a musical work extended beyond the creative input of the composer alone. Recording a musical work constituted a creative process depending on a variety of other capabilities on top of composing and performing in a studio alone, such as: editing, engineering/mixing, arranging and producing (Denisoff 1975, Frith 1996, Becker 1982). As Frith (1996) notes, a musical composition shifted from a mere melody to a ‘sound’. Subsequently, sheet music offered only partially an opportunity for the live reproduction by other performers because the would need to acquire the other capabilities as well to produce the same sound, which sheet music could not provide. This in turn gave rise to a smaller propensity to buy sheet music. Testimony to the importance of recorded music is the fact that in 1976 a new copyright act was passed in the United States stating that it was no longer required for a song to be fixed in sheet music, as a song’s sound recording became sufficient to render copyright protection (Caves 2000).

These developments greatly reduced the need for promotional and marketing activities on the part of the publisher. Eventually, the economic functions of music publishers were reduced to the mere administration and collection of copyright revenue (Caves 2000). The performance rights needed little intermediation as these
were directly addressed by the rights clearance organizations. Nonetheless the music publisher's share of royalties stemming from these rights remained at 50%. With regard to mechanical rights, it has become customary for the music publishers to attempt to sell a ‘through-license’ to the record company. The terms of these contracts vary and are dependent on whether or not a provision is made for promotional support and the opportunity to record a high-quality sound recording. For the incidental synchronization rights there are no standard procedures, and they are mostly negotiated in a case-by-case fashion (Vogel 1998). Consequently, as a result of the introduction of recording technology to the recorded music industries, the music publishers found themselves mainly brokering a musical work between the musicians and the recording companies instead of between the composers and the performers (see figure 2).

However, as the economic functions of the music publisher shifted from a focus on promotional activities to a focus on administrative activities, the fee for the services rendered had become institutionalized as it became legally sanctioned by the American Society of Composers, Authors, and Publishers (ASCAP) in the 1920s (Caves 2000). Thus the price was determined by legal sanctions rather than by the actual value being created. Therefore, although music-publishing required less economic endeavors, the publishers were still able to command a substantial part of the revenues, which remained at 50 percent of the income of the composer (Vogel 1998, Butler 2000, Caves 2000).

Moreover, as the recorded music industries became increasingly reliant on the exploitation of music not as a commodity but as a right in the 1980s (Frith 1987), retaining monopoly privileges related to music publishing became vital for ensuring profitability. Huygens (1999) described this process as a ‘shift to rights’ as the cross-fertilization with other multimedia industries was increasingly sought after, which propelled music-publishing to the forefront. As a result, the market of music-
publishing became a very profitable business and generated over 3 billion US$ worldwide in 1990, and was expanding in a time that the market for compact discs was contracting (Burnett 1996). Value chain envy resulted as super-normal profits could be realized because of the disproportionality between value capture and value creation at the stage of the music publisher as can be illustrated by figure 3.

Vertical Integration

As a consequence of value chain envy towards the stage of music publishing, the other actors in the value system were tempted to integrate into this stage. The major record companies increasingly engaged in vertical integration, which became manifest in the acquisition of many successful publishing houses (Huygens 1999). Table 1 illustrates the backward integration by the major recording companies into the music-publishing sector, by displaying the M&A activity in the international music-publishing industry over the last 15 years.
<table>
<thead>
<tr>
<th>Major Purchaser</th>
<th>Publishing Company</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>BMG-RCA</td>
<td>Doubleday</td>
<td>1986</td>
</tr>
<tr>
<td></td>
<td>Dell</td>
<td>1986</td>
</tr>
<tr>
<td></td>
<td>Lodge Hall/Milsap</td>
<td>1989</td>
</tr>
<tr>
<td>Sony-CBS</td>
<td>Blackrock</td>
<td>1987</td>
</tr>
<tr>
<td></td>
<td>Big Tree International</td>
<td>1989</td>
</tr>
<tr>
<td></td>
<td>Conway Twitty</td>
<td>1990</td>
</tr>
<tr>
<td>EMI</td>
<td>SBK Entertainment</td>
<td>1989</td>
</tr>
<tr>
<td></td>
<td>Conbine Music</td>
<td>1989</td>
</tr>
<tr>
<td></td>
<td>Filmtrax</td>
<td>1990</td>
</tr>
<tr>
<td>MCA</td>
<td>Mayday Mediarts Music</td>
<td>1989</td>
</tr>
<tr>
<td>Polygram</td>
<td>Musiplex</td>
<td>1987</td>
</tr>
<tr>
<td></td>
<td>Lawrence Welk Music Group</td>
<td>1988</td>
</tr>
<tr>
<td></td>
<td>Sweden Music AB/Polar Music</td>
<td>1989</td>
</tr>
<tr>
<td>Warner</td>
<td>Chappel Music Group</td>
<td>1987</td>
</tr>
<tr>
<td></td>
<td>Mighty Tree Music Group</td>
<td>1990</td>
</tr>
</tbody>
</table>

Table 1, quoted from Huygens 1999, source NMPA
These data on vertical integration illustrate the strategic responses to value chain envy felt by the major record companies further downstream. Which strategic responses were elicited at the other neighboring stage: the stage of the musicians? The exploitation of a new business activity in the music-publishing sector seemed to be within reach of the entrepreneurial musician as well, because the financial endowments needed for operating as a music publisher were small (Burnett 1996). However, it was unappealing for musicians to start their own music-publishing company, because - as stated before - for a song to become commercially successful cooperation in the areas of recording, reproduction, and distribution was indispensable (Burnett 1996, Kretschmer et al 1999, Caves 2000). In fact, now that the major record companies were operating their own music-publishing departments, they strengthened their bargaining position vis-à-vis the musicians. Because of these music-publishing departments they could offer the recording artists a comprehensive contract that integrated all rights relating to a musical work into one (Wallis & Malm 1984). As a consequence the musicians were left with little incentive to integrate into music publishing as vertical integration would not yield extra means to capture value: the potential gain in value capture would be appropriated by the major record companies in the course of negotiating the record contracts because they controlled crucial assets further downstream. This illustrated once again that copyrights are often effectuated at a different stage than where they were created (Towse 2000). This situation resembled the musicians-entrepreneurs who launched a new recording company in the pursuit of their own financial betterment: eventually they noticed that they were not able to outperform the traditional model of being contracted by the established record companies and stated they would opt for a record contract with the established record companies in the future (Burke 1997).

The only musicians that could effectively start their own music-publishing company were the established artists (Sanjek 1991, Negus 1992). Because of their popularity
musicians like George Michael and Prince enjoyed a leveraged bargaining position, and could free themselves from the dependence on the major record companies (Kretschmer et al. 1999). In terms of value capture their popularity resembled the strength of the major record companies (Bradlow & Fader 2001), and instead of the usual 50/50 split they could command a 20/80 division (Vogel 1998) or even a 15/85 division (Negus 1992). The increase in bargaining power of these musicians left some independent music publishers with a very small margin indeed, as the operating costs could amount to as much as 12 percent (Vogel 1998). Consequently, independent publishing firms were forced to take a more entrepreneurial posture by contracting less successful composers. Although this strategy had the potential to generate higher premiums, these publishing firms also had to harbor the increased risks, as some of the contracted composers might never attain breakeven sales, let alone commercial success. As a result the small independent music publishers played a complementary role to the large publishing houses owned by the major record companies, and if successful became the M&A target, as mentioned before.

Newly Founded Firms in Dutch Music Publishing

If new entry is indeed effectively warded off by the control of the major record companies in the areas of recording, reproduction, and distribution, how could the observed increase in the number of SMEs in the Dutch music publishing industry be explained? The Dutch Central Bureau for Statistics (CBS) reported that for the years 1993-2000 the music-publishing sector in the Netherlands has witnessed a substantial increase in the level of entrepreneurial activity as the total number of music-publishing companies increased from 82 to 378, which is illustrated by table 2.

---

6 The CBS makes use of the standard company index (SBI), which was established in 1993. This index enables the categorization of firms according to distinct economic activities. In the case that a firm is engaged in more than one economic activity, the CBS distinguishes a main economic activity and labels the other activities as being complementary. In such cases, the firm will only appear in the category of its main activity and is omitted from the
<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>0</th>
<th>1- 5</th>
<th>5-10</th>
<th>10-20</th>
<th>20-50</th>
<th>50-100</th>
<th>100+</th>
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<td>2</td>
</tr>
<tr>
<td>1994</td>
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<td>72</td>
<td>21</td>
<td>5</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>1995</td>
<td>129</td>
<td>92</td>
<td>26</td>
<td>2</td>
<td>6</td>
<td>1</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>1996</td>
<td>193</td>
<td>129</td>
<td>46</td>
<td>8</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>1997</td>
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<td>59</td>
<td>4</td>
<td>7</td>
<td>1</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>1998</td>
<td>346</td>
<td>262</td>
<td>62</td>
<td>13</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1999</td>
<td>375</td>
<td>271</td>
<td>85</td>
<td>10</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2000</td>
<td>378</td>
<td>265</td>
<td>92</td>
<td>12</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

A salient aspect of the presented data is that nearly all of the newly founded firms in music publishing are very small firms, most of which have less than ten employees. This suggests that venturing a new business in music publishing does not require substantial financial endowments on the part of the entrepreneur, as was mentioned earlier. As Malerba and Orsenigo (1996) point out the concepts of firm formation and industry entry differ substantially. New entry could stem from a company that decides to diversify and complement their original activities in another industry. However, such new entry would typically entail new firm formation on a larger scale than is observed in the sectors under consideration.

The observed new entry is in line with the remark made by Caves (2000) that the music-publishing sector changed so dramatically that currently “the publisher’s role

categories in which it exploits the complementary activities. Relating this to the music industries; a record company will be categorized as a ‘music reproduction company’ and not as a ‘music publishing company’, although it is very common for major record companies to engage in music publishing as well, as was mentioned before.
has contracted to the point that anybody can be a music publisher” (p. 310). Whereas music-publishing was traditionally the prerogative of the established artists (Sanjek 1991, Negus 1992) and the major record companies (Huygens 1999, Caves 2000), small new entrants and/or vertically integrating musician-entrepreneurs have apparently been able, at last, to strategically respond to their value chain envy.

Yet how could these observed data be explained within the theoretical framework proposed in this paper? The stage of music publishing had for some time been desirable – i.e. as an object of value chain envy – because of the apparent discrepancy between value creation and value capture at that stage. As was argued earlier, until recently the major record companies could prevent entry or vertical integration from other stages. The powerful position of these major record companies was the result of scale advantages in their core activities. This suggests that the explanation for the increase in newly founded firms in music publishing should be found in a weakening of the control of the major record companies.

What event in the mid-1990s reduced the efficacy of means of value capture held by the major record companies? This paper posits, as has been corroborated by many scholars (Janson & Mansell 1998, Dolfsma 2000, Shirky 2001, Carey & Wall 2001, Kretschmer et al 2001, Gallaway & Kinnear 2001, Alexander 2002), that the introduction of ICT substantially threatened and compromised the profitability of the major record companies, because the inextricable link between the control over the areas of recording/reproduction/distribution and the ability to capture value was dislodged. If major record companies were initially able to prevent musicians from vertically integrating into the stage of music publishing, one would expect that a heightened level of entrepreneurial activity should be witnessed in this sector after this control withered away.
The digitization of the music industry started in the early 1980s when Sony and Philips teamed up to commercialize the compact disc. At the time, the recording industries were convinced that the commercialization of the compact disc was dependent on realizing economies of scale in the areas of recording, reproduction, and distribution: areas in which the major record companies traditionally possessed a competitive advantage. However, miniaturization of several key technologies that were introduced diminished the advantages that could be derived from economies of scale in especially the areas of recording, reproduction, and distribution. These technologies were: MP3, home recording technologies, and the Internet.

The MP3 format was invented in 1989 by the German Fraunhofer Institute and was standardized by 1991. It significantly reduced requirements for data storage and data transmission, because it compressed the original recording to 5-10% of its original size. MP3 technology therefore played a pivotal role in driving down the costs of the reproduction and the distribution of a musical work. In combination with the opportunities offered by the Internet, it laid the foundation for the success of peer-to-peer file sharing networks such as Napster (Alexander 2002). By the mid-1990s, personal computers became powerful enough to record music in a digital format. In lockstep digital recording technology software was developed enabling musicians to trade the poor quality of tape recordings for the high-quality of the digital recording. This technology significantly reduced the costs involved with recording a musical work.

This turn of events implied that the control which the majors enjoyed over the areas of recording, reproduction, and distribution have stopped to yield a decisive competitive advantage. Firstly, the (sunk) costs of recording a musical work have declined substantially by using digital recording technology (Leyshon 2001). Secondly, the marginal costs involved in the reproduction and distribution of a musical work have been greatly reduced because of ICT (Shapiro & Varian 1999).
Shirky (2001, p. 144) argues that “digital reproduction pushes those economics to the breaking point.” And as a consequence the major companies have a diminishing competitive advantage in these fields, as some authors have argued (Dolfsma 2000, Hirsch 2000, Shirky 2001). Thirdly, a parallel development was that value created in the eyes of the consumer had also been significantly reduced. ICT enabled the final consumers to produce some of the value held by the final product by themselves, which was traditionally produced at the various stages in the value system. Albeit largely an illegal activity, many consumers took on the value creating activities of reproduction and distribution (Alexander 2002). As a consequence they attributed less value to music reproduced and distributed by others, e.g. the record companies (Gallaway & Kinnear 2001). As a result, the control over the areas of recording, reproduction, and distribution held by the major record companies proved less effective to capture value.

A further indication that scale advantages in the field of reproduction have become less important can be concluded from the fact that between 1993 and 2000 the number of music reproduction companies in the Netherlands has grew from 27 to 73, as is illustrated in table 3. Moreover, nearly all of the newly founded firms were comprised of small firms indicating a weakening of the competitive strength of the major record companies.
Table 3  

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>0</th>
<th>1-5</th>
<th>5-10</th>
<th>10-20</th>
<th>20-50</th>
<th>50-100</th>
<th>100-200</th>
<th>200-500</th>
<th>500+</th>
</tr>
</thead>
<tbody>
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<td>5</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
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<td>35</td>
<td>19</td>
<td>6</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>1995</td>
<td>36</td>
<td>23</td>
<td>4</td>
<td>0</td>
<td>1</td>
<td>1</td>
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<td>2</td>
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<tr>
<td>1996</td>
<td>51</td>
<td>35</td>
<td>7</td>
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<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1997</td>
<td>58</td>
<td>38</td>
<td>9</td>
<td>0</td>
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<td>4</td>
<td>3</td>
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<td>0</td>
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<tr>
<td>1998</td>
<td>77</td>
<td>54</td>
<td>15</td>
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<tr>
<td>1999</td>
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<td>49</td>
<td>12</td>
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<td>2</td>
</tr>
<tr>
<td>2000</td>
<td>73</td>
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<td>3</td>
<td>1</td>
<td>0</td>
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</tr>
</tbody>
</table>

, the presented data suggest that the developments in ICT can indeed explain much of the weakening of the power of the major record companies, not just at capturing value at their own stage but also at preventing actors at other stages of the value system and new entrants from occupying the highly desirable stage of music publishing.

### Conclusion and Suggestions for Further Research

The central argument of this paper is that the relation between value creation, protection and capture at particular stages of the value system determines the stability of the value system as a whole because it can invoke actors to strategically respond to value chain envy. Value chain envy experienced at stages within the system gives rise to the desire to integrate vertically while value chain envy experienced by actors outside the system elicits the desire to initiate new entry. In the recorded music industries value chain envy emerged when the means to capture value remained strong at the stage of the music publishers, while value creation at that stage gradually diminished.
The major record companies were the first to act on their value chain envy and backward integration was widely observed from the 1980s onwards (Huygens 1999). However, it remained an arduous task for other players to effectively engage in music-publishing, as the record companies could at the same time prevent vertical integration and new entry into music publishing because they were dependent on the cooperation of the major record companies for the further commercialization of their products. As such, forward integration into music publishing by artists and composers was almost non-existent because, contrary to the major record companies, they were lacking the financial autonomy needed further down the path of commercializing the musical work relating to the costly recording, production, and distribution processes. Only the arrived superstars were able to set up a music publishing company themselves (Negus 1992).

This led to the paradoxical situation that, although the costs involved with setting up a music publishing company by itself are generally low, as they merely consist of administrative tasks (Negus 1992, Caves 2000), means of protection remained strong. The underlying rationale is that the major record companies effectively transferred the means of value protection relating to the stages of recording, production, and distribution, and thereby created strong means of value protection at the stage of music publishing. While brokering a record deal with the musicians the major record companies could simply demand a musical work to be published by their in-house publishing company, because they played a vital role in the process of commercializing a musical work by this time as they acted as ‘gatekeepers’ granting artists and composers access to the stages of recording, production, and distribution (Caves 2000). In short, music publishing by outsiders, either through new entry or vertical integration, remained problematic especially on the part of the poorly endowed new musicians.
This situation changed with the introduction of new information communication technologies in recent years, which led to a significant erosion of the competitive advantage held by the major record companies in the areas of recording, reproduction, and distribution. As one could expect on the basis of the proposed framework, the diminishing grip of the majors triggered a substantial increase in the number of newly founded SMEs in the Dutch music publishing industry over the years 1993-2000.

Nonetheless, there are several limitations to the present study. Firstly, the data obtained from the CBS is presented as census data. Some caution is adequate in this respect because the CBS does not actually make a head count of the number of firms with less than 20 employees. When estimating the number of firms with less than 20 employees, the CBS uses a combination of survey and self-report techniques. This is the reason why the authors have refrained from any further statistical inferences. However, even if the data illustrate but a trend, they still provide ample support for the general argument of this paper. Secondly, this investigation examined the period from 1993 until 2000 to the exclusion of earlier years. Data prior to 1993 could not be obtained, however, because in 1993 the CBS defined music publishing as a separate activity within their research accounts. Surely, data prior to 1993 would aid coming to a fuller understanding of the evolution of the music publishing industry. However, the mid-1990s constituted the period during which the recorded music industries embraced the new ICT (Leyshon 2001), and thus the data cover the most crucial period for supporting the arguments advanced in this paper. However, the data are inconclusive with regard to whether or not the observed increase in newly founded firms should be interpreted in terms of new entry from outside the value system or in terms of vertical integration by musician-entrepreneurs. Both possibilities support the general argument that ICT had a negative impact on the merits of recording, reproduction, and distribution capabilities as a competitive advantage of the major record companies, and therefore allowed other actors – musicians and new entrants alike – to easy their value chain envy. This issue stands
unresolved because the activity of composing and performing music is not a registered economic activity. This is the result of the fact that generally there is no need to launch a company before one can be economically active as a musician in the recorded music industries, which often takes the form of contracted labor. If they did, the opportunity to analyze vertical integration by musicians would be greatly enhanced.

Further research on forward-integrating musicians is of particular importance as it could shed light on two unresolved theoretical issues. Firstly, some argue that the role of intermediaries will diminish in the music business, resulting in so-called ‘disintermediation’ (Hawkins et al 1999, Janson & Mansell 1998). If the data can indeed be interpreted in terms of vertically integrating musician-entrepreneurs, the findings of this paper are special interest to this debate (Shirky 2001, Dolfsma 2000). Yet, whether or not value capture will follow further forward integration by musician entrepreneurs still remains a topic for further investigation as it is uncertain how well their marketing capabilities develop. As Shirky (2001) pointed out, the only means to capture value that seems less affected by the introduction of ICT is to be found in the field of marketing. The major record companies for long enjoyed a leveraged position on the basis of their relationship with the broadcasting media, to the extent that they virtually controlled the music charts (Peterson & Berger 1975). So surely the observed levels of new entry could merely be part of the general entrepreneurial endeavors in response to ICT, which depend on their initial endowments rather than their actual means to capture value. Nonetheless, the observed industry dynamics in music publishing does seem to attest to a heightened level of autonomy for small firms, as entry into these fields were traditionally controlled by the major record companies. Secondly, vertically integrating musician-entrepreneurs could bridge the gap between the strand of literature focussing on new entry and the strand focussing on vertical integration. Vertical integration is usually approached from the perspective of the large firm, because it requires great financial endowments. As a consequence
SMEs are usually regarded as unlikely candidates for engaging in this type of strategic behavior. Further research concerned with the vertical integration of musician-entrepreneurs could serve to integrate the two streams of literature and thereby generate new insights about how the different strategic responses to value chain envy are related.
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