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# **MUSIC INDUSTRY SURVIVORS**

## **Finnish independent record companies' international opportunity recognition**

Master's Thesis  
In International Business

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# 1 INTRODUCTION

*” The very first operational measure of performance discussed [in this book] is survival, which I define as the continuation of the entrepreneurial effort. Survival is an important measure of entrepreneurial performance because very few entrepreneurial efforts survive. [...] half of all entrepreneurs fail to complete their organizing efforts. Moreover, approximately 750 000 new businesses are founded and fail every year in the United States, with 40 per cent of the new businesses failing to survive one year, 64 per cent failing to survive five years, 75 per cent failing to survive eight years and 88 per cent failing to survive 19 years.”*

Shane, Scott (2003): “A General Theory of Entrepreneurship: The Individual-Opportunity Nexus” p.7

## 1.1 A brief history of the music industry

In the last decade there has been a growing interest in creativity and culture as a source of income. With the globalisation and digitalisation of the world, the distribution of immaterial capital, which is at the core of creative industries, is now seen as a business opportunity to be taken seriously. (e.g. Jones, Comfort, Eastwood & Hiller 2004, Wilenius 2006, Matheson 2006) The term creative industry, under which the music industry falls, is a rather new one – first used in 1997- despite the creative industry itself being not (Jones et al. 2004, 134-135). The progress happening within the creative industries refers for example to the wide spreading and well profiting gaming industry but also to the global music industry.

The global music industry has been said to remain in a state of crises for a long time. Among others, Preston and Rogers (2012) find that it is a widely spread habit to cite the music industry in its entirety as a primary “victim” of the “internet revolution”. On the global market of recorded music, there are the three big companies (later: major labels) that account for a great part of all global sales (Stahl & Meier 2012). The industry is thus classically described as an oligopolically structured one (Lewis, Graham & Hardaker 2005, 349) or that it comprises of ” a large number of small enterprises and a small number of large enterprises” (Jones et al. 2004, 135).

During the current millennium, there have been important steps taken in the utilization of the Internet as both as a marketing or networking and as a sales channel for creative industries. According to OECD studies (2002) and Jones et al. (2004) the small or even micro companies in the creative industries can be accounted for most of the

growth and new employment creation. Together with the cost efficiency and reachability of digital marketing and sales it can be argued that independent record labels' internationalisation is now one of the engines behind the growth of the global market for music.

In Finland, the Finnish office of The International Federation of the Phonographic Industry (IFPI) began collecting data and releasing reports related to the sales of digital music in Finland as late as 2006, but the development in the figures has been significant according to the figures released of sales already in 2012. As it happens, 2012 was the most momentous year for the Finnish as well as the global record industries to date. Despite the continuing dragging of sales of physical copies of released records, the augmentation in digital sales resulted in a total growth of 0.3 per cent in the global trade value of the recorded music industry. (Jalonen 2013, 35; IFPI DMR 2013)

## 1.2 Research objectives

This study concentrates on the internationalisation processes and opportunity recognition of Finnish independent record labels that are small or even micro companies in size and that have started international operations shortly before, during or shortly after the so called "internet revolution". According to the CEO of Music Finland in a recent interview (Semkina 2013), there are "a few hundred" music export companies in Finland of which 30-50 are active in their internationalisation processes. Especially, the focus shall be on the different types of opportunity recognition in internationalisation operations.

The research question and its sub-questions that have risen from the lack of studies in the themes in question are:

*How do Finnish independent record labels internationalise in the newly changed music industry environment?*

The sub questions to help answering the main question are:

*How has the music industry environment changed in the past decades?*

*What are the different ways in which internationalisation opportunities are recognised by Finnish independent record labels?*

*How do Finnish independent record labels currently internationalise and seek revenue?*

These questions shall be discussed through a literature review of recent studies concerning firstly the research done in entrepreneurial opportunity recognition. The research so far shall be reviewed and the background for an empirical study shall be built according to the approaches that are most applicable to all fields of business including

the internationalisation opportunity recognition process in the music industry. Secondly, in chapter four, there will be a review of the present state of the creative industries and the music industry in particular – both on a global scale and with the empirical part of the research, concentrating on Finnish small, independent record labels' internationalisation processes. Through interviews with two industry professionals, chosen to represent different music genres and companies in varying stages of international operations, the similarities and differences of the internationalisation process will be recognised from the point of view of theories on international opportunity recognition.

## 2 OPPORTUNITY RECOGNITION IN INTERNATIONALISATION OF SMES

### 2.1 SME internationalisation

It is a fact that small and medium sized companies represent the overwhelming majority of all companies in the world. The European Commission considers SMEs and entrepreneurship as key to ensuring economic growth, innovation, job creation, and social integration in the EU, composing 99,8% of all companies in the EU28 area and in Finland, which is the viewpoint for this study, the Confederation of Finnish Industries EK has a similar view, with SMEs comprising 98% of all Finnish companies. Therefore it is of great interest to all economies to see SMEs growing and creating the jobs the economies are so eagerly willing to see.

In economies of limited size, such as Finland, it is of utmost importance for the SMEs to aim further, that is, to internationalise. The classical theory for understanding SME internationalisation is the Uppsala model from the 1970s (Johanson & Vahlne 1977), which contradicted the models used previously: it had been thought that companies carefully evaluate and analyse their risks and costs and take into consideration their own resources on which they base their actions for internationalisation. The Uppsala University researchers, however, discovered that companies would rather internationalise through *ad hoc* exports using first intermediaries representing the focal companies in the foreign markets moving on to replacing these agents with their own sales organisations lastly embarking on manufacturing in the foreign market themselves. (Johanson & Vahlne 2008, 2)

The Uppsala model has been taking new forms in the past decades and even the originators have commented on it and revised it to better match the recent discoveries in research on internationalisation (Johanson & Vahlne 2008). The psychic distance that was in the original model seen as an indicator of foreign entry market choice – the psychologically closer the market, the more likely it was to be chosen for foreign market entry – is in the revised model incorporated into relationship building. The psychologically closer the market and its operators, the easier it is to establish meaningful and valuable relationships and the more can be learned through them. (Johanson & Vahlne 2008, 4) Networks and relationships shall be examined in detail in the following pages.

## 2.2 Opportunity recognition

An opportunity may be generated through various shifts in the environment a company operates in. These can range from smaller changes in the immediate surroundings of a company or vaster changes in technology, government policies or demographics. (Ozgen & Baron 2005, 188; Baron 2006, 117) The cognitive process individuals undergo to perceive an opportunity is called opportunity recognition. Söderqvist (2011, 92) compares it to the process of unmasking the initial business opportunities when starting a business. According to Shane (2003, 18) and Nicolau, Shane, Cherkas and Spector (2009, 109) opportunity recognition is “the identification of a chance to create a new means-ends framework for recombining resources that the entrepreneur believes will yield a profit”. Other definitions feel the need to separate the recognition and exploitation states of opportunity recognition: “opportunity development is an interactive process characterized by gradually and sequentially increasing recognition (learning) and exploitation (commitment) of an opportunity, with trust being an important lubricant” (Johanson & Vahlne 2008, 10).

In Johanson and Vahlne’s (2008, 10) definition, a great deal of value is placed on trust, which in their research is the essential factor connected also to network relationships, knowledge and alertness gained through market knowledge. These terms are intertwined in many approaches to international opportunity recognition as shall be pointed out in the remaining part of this chapter.

### 2.2.1 *A literature review of opportunity recognition research*

Building on historical research on market opportunities introduced in 1912 (Schumpeter, 1912) and further analysed within the Austrian economic tradition (c.f Kirzner 1973; 1976) from a classical point of view in which opportunities simply exist in the market waiting to be recognised, vast amounts of empirical studies have been made in the latter part of the 20th century. There are, however, clear inconsistencies within the studies basing on the Austrian tradition of positivism and the classical approach. Chabaud and Ngijol (2006, 8) have identified two clear and substantial incoherent results: “...while the classical approach presents opportunity recognition as the fruit of a flash of inspiration, empirical work insists on a process, built up over time” and “... while the classical approach presents opportunity recognition as the fruit of individual action, empirical work insists on the collective aspect, or, more precisely on the importance of interpersonal networks”.

Previously, it was considered that opportunity recognition revolves mainly around information and mainly its gathering process with a special interest in the sources of

information (Ozgen & Baron 2005, 176-177; Ardichvili, Cardozo & Ray 2003, 115). Since the early 2000s, interest has been directed towards networks and the usage of mediators for the gathering of information. Opportunity recognition has been seen as a part of internationalisation in recent studies but up until now, the studies have not really given any deeper explanation into why so. There exist a small number of theoretical and empirical studies with the clear wish of further research (Chandra, Styles & Wilkinson 2009; Jones, Coviello & Tang, 2011; Mainela, Puhakka & Servais, 2014; Peiris, Akoorie & Sinha, 2012; Styles & Seymour, 2006).

In the study of international new ventures, opportunities and their recognition are, however, more often incorporated. Explaining the high value of knowledge in internationalisation that simultaneously affects the speed of internationalisation, Oviatt and McDougall (2005) have drawn a model shown in Figure 1. They begin the process of internationalisation with initial entrepreneurial opportunity recognition, a choice, which has been criticized for example by Söderqvist (2011, 20). Later in this chapter, opportunity recognition is also linked to knowledge of ways to serve the market, which in Oviatt and McDougall's model is labelled under an enabling feature such as technology.

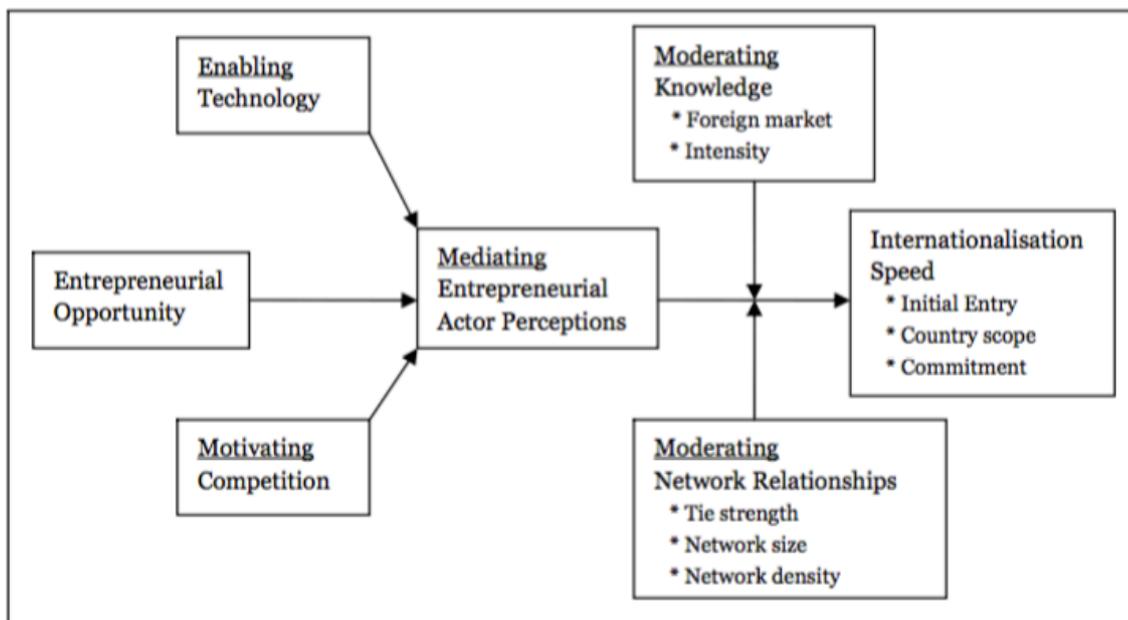


Figure 1 A Model of Factors Influencing the Fast Internationalisation of International New Ventures (Oviatt & McDougall 2005, 541)

On the other hand, a motivating factor in the model that is one's competitors can be seen as knowledge of the markets as a whole. Thus, analysing the model through knowledge reveals that, in a sense, knowledge is what guides an entrepreneur through the initial mere existence of opportunity with knowledge as a motivating, enabling and

moderating influence to the final internationalisation. Oviatt and McDougall's model pertains the interest in internationalisation speed, which shall not be investigated further in this study. Knowledge, however, is an essential theoretical building block for international opportunity recognition and it will be described in detail alongside with other themes presented in Figure 1 in later sections of this chapter.

According to a recent literature review by Angelsberger, Kraus, Mas-Tur and Roig-Tierno (2017), international opportunity recognition was of concern in only five published studies prior to 2009 with only two of those being empirical studies (cf. Chandra et al. 2009; Nordman & Melén, 2008). The researchers do bring attention to the scientific community's willingness to close the research gap as the majority of all studies on the subject (n=13) have been published after the year 2009 and several even after the publication of their literature review. However, there is yet much to be studied as for example the geographical comprehensiveness needs diversification – majority of the studies were done in Europe - and on the other hand, as mentioned, only two quantitative studies have been published on the subject with majority being qualitative (Angelsberger et al. 2017, 19).

When considering opportunity recognition within the global surroundings and focusing on internationalisation through opportunity recognition, one can understand the importance of internationalisation especially for small and medium sized companies operating in limited domestic markets. For these companies, opportunity recognition is vital and in the case of Finland – a very limited market with SMEs forming the most part of all companies – their internationalisation and growth is of utmost importance to the country's economic development (Confederation of Finnish industries EK 2016). According to the Confederation of Finnish industries EK, in Finland there are 86 000 companies that have employees and out of those only 600 are large enterprises thus leaving SMEs with a share of 99%. By definition, small and medium sized companies have net sales of less than 50 million euros and employ less than 250 people. They also need to have at least 75% of their shares or the company itself to themselves and not be owned by any other enterprise and, in addition, their balance sheet total should not exceed 43 million euros.

Since the economic crisis of 2008, 5000 new exporting SMEs have emerged in Finland. There are three key elements leading to this according to Jari Huovinen from EK (Confederation of Finnish industries EK reports 2016): firstly the born global companies who seek internationalisation and growth from the beginning, secondly, many companies have reached the point where they can no longer obtain growth in the domestic market and thirdly, many old subcontractors have pursued a method of direct export. The classic Uppsala model from 1977 applies to these international ventures thusly that most companies seek internationalisation firstly from countries and markets of physical and psychological proximity to the domestic markets. The model assumes

that lack of knowledge and resources are the most severe challenges for foreign market entry in the first stages and that with each stage of internationalisation knowledge and information increase. When revisited in the 21<sup>st</sup> century, networks – trust and building – as well as knowledge creation have been added by the creators of the original model to make it more applicable to present day internationalisation process issues (Johanson & Valhne 2009). They also present the two ends of the continuum of being involved in the net of relationships in today's business environment: *insidership* and *outsidership* – the former being at the core of potential success in internationalisation (Johanson et al. 2009, 1411) and international opportunity recognition.

Opportunity recognition can refer to that happening in domestic markets or if focusing on internationalisation opportunities, the recognition itself can happen either in the domestic markets through relations both domestic and abroad or, for example, when traveling abroad that is, in foreign markets. (Angelsberger et al. 2017, 25) The opportunity recognition process of SMEs needs further studying. (Kontinen & Ojala 2011b, 490) There are different approaches to it and various different factors have been identified in research so far affecting the opportunity recognition process and not all of these factors have been empirically tested. In the process, six major factors have been identified as having an influence (Kraus, Niemland, Angelsberger, Mas-Tur & Roig-Tierno 2017, 4):

1. Entrepreneurial alertness
2. Systematic search
3. Prior knowledge
4. Social networks
5. Personality traits/cognition
6. Environment conditions

Based on the industry of choice in this paper, all points shall be taken into consideration but the focus shall especially be on factors of prior knowledge and social networks. The aforementioned is very tightly linked to entrepreneurial alertness, systematic search and personality traits. Entrepreneurial alertness and systematic search represent metaphorically the same freeway but different lanes: entrepreneurial alertness forces one to the faster lane when seeing a car on the way going too slowly whereas systematic search keeps one on the faster lane the entire time or is possibly even guiding one off the freeway every once in a while. It has been stated that it is impossible to analyse for example prior or experiential knowledge without taking into consideration the entrepreneur's cognitive abilities or alertness. Interrelatedness is especially true for factors 1 to 5 as mentioned before; they simply cannot be studied separately as they are essentially char-

acteristics of the entrepreneur, coexisting and interacting simultaneously (Hajizadeh & Zali 2016, 76).

As Kontinen and Ojala (2011b, 492) point out, a fact is that opportunities exist but they can be exploited only upon recognition and potential understanding of their value for business. Therefore, interest has lain in addition to the theoretical approach to the term itself, for example on *who*, *why* and *how* certain individuals recognise opportunities and evaluate them in order to exploit them. (e.g. Shane & Venkarataman 2000; Hajizadeh & Zali 2016; Hulbert et al. 2015; Baron 2006) In psychological theories, though, “human attributes (such as the need for achievement, willingness to bear a risk, and self-efficacy) lead some people but not others to become entrepreneurs” (Kontinen & Ojala, 2011b, 492), which could be taken more into use through interdisciplinary studies of entrepreneurship as a whole such as Shane’s (2003) work on the subject.

In entrepreneurship and international business, obtaining the knowledge that can lead both to opportunity recognition and internationalisation is what interests scholars (Angelsberger et al. 2017, 20). Johanson and Vahlne (2008, 6) have also added *relationship-specific knowledge* to their original Uppsala model of internationalisation (1977) in an aforementioned more recent revisit to the original model, describing knowledge created in a relationship which in turn is developed through interaction between the two partners and includes “knowledge about each other’s heterogenous resources and capabilities”. All in all, these findings have lead to the more thorough study of networks, which will be dealt with in the remainder of this chapter.

### **2.2.2 Entrepreneurial alertness and systematic search**

The term *entrepreneurial alertness* was first introduced by Kirzner (1979, 48), who described it as the ability to “notice without search[ing]”. This means that opportunities exist and one stumbles upon them serendipitously or that they are unknown until someone discovers them (Kraus et.al 2017, 3) – a passive search one can say. An opposing, completely different view is that opportunities can be found through active and systematic search for them. Actively searching for new relevant information has empirically been shown to result in higher possibilities of recognizing opportunities (Shane 2003).

Personality traits and cognitive abilities dealt with in a later part of this chapter affect one’s alertness. If accurate mental models exist, there is higher chance of being able to identify opportunities as one stumbles upon them or as Kirzner (1997, 72) describes a successfully alert entrepreneur: “spontaneously on the lookout for hitherto unnoticed features of the environment (present or future), which might inspire new activity on his part”. The active and passive search for information are not mutually exclusive: individuals may be alert to opportunities and at the same time search for them (Kontinen &

Ojala 2011b, 504) as for example in the state of change in the marketplace, which requires immediate attention in terms of active search for new opportunities on top of being alert and stumbling upon the changes in the first place.

Kontinen and Ojala (2011b, 507) discovered in their study of family SMEs that “a high level of *activeness* led to opportunity recognition through a formal search, whereas a low level of activeness led to opportunity recognition via an unsolicited inquiry”. The opportunity recognition via an unsolicited inquiry i.e. in immediate response to products ordered is regarded as alertness as the opportunity was immediately grabbed even without any prior plans of entering the market where the order came from. (Kontinen & Ojala 2011b, 503)

In a recent study Kraus et al. (2017, 15-16) discovered through examining German born global companies in their initial internationalisation opportunity recognition that both entrepreneurial alertness and systematic, active search were important in discovering the initial internationalisation opportunity. They also concluded that prior knowledge with focus on prior international knowledge of the lead entrepreneurs played a significant role in the international opportunity recognition. In other studies, it is also been proven that as companies gain more experience and knowledge, they are more likely to discover opportunities through active search; that is, established companies rather than newly established young companies gain greater advantages from this approach.

Angelsberger et al. (2017, 27) point out that there is a tendency for family SMEs to recognize the first internationalisation opportunity through being alert or accidentally discovering it and then following up with systematic search. Family SMEs, as they point out, are identified by their risk avoidance and ergo desire to seek long-term success. Prior knowledge has been proven to be a clear divider as to how initial international opportunities are found: it encourages and enables to actively search for opportunities and also makes information, related to what is previously known, easier to identify. Moreover, if prior knowledge is weak or non-existent, international opportunities are allegedly found serendipitously. (Chandra et al. 2009, 51; Söderqvist 2011, 26; Ardicivili, Cardozo, Ray 2003, 110) The value and effects of prior knowledge shall be dealt with in detail in the following section.

### **2.2.3 *Prior knowledge and environment conditions***

When internationalising for the first time, even born global companies face problems due to lack of knowledge and, often due to their size, lack of financial resources, high risks, uncertainty and liability of newness. (Kraus et al. 2017, 3) As mentioned before, different and all kinds of knowledge is essential in both removing uncertainty around

internationalisation and other entrepreneurial issues as well as in discovering opportunities to internationalise. In previous literature, there have been several classifications and categorisations of knowledge in relation to either the process opportunity recognition or entrepreneurial discovery. One of the simpler ones is a three-dimension set by Shane (2000):

- *Prior knowledge of markets*
- *Prior knowledge of ways to serve markets*
- *Prior knowledge of customer problems*

Kraus et al. (2017) have interpreted and developed this to correspond to the information needed in each category. Firstly, in order to have prior knowledge of markets, information is needed on the way a specific market functions – this can be from knowing sales customs or techniques or methods to customer or supply chains. Secondly, prior knowledge of how to serve markets includes information on technologies and processes that exist in a certain market and all the possible channels that can be used to reach customers. These can lead to discoveries of a new product or service to be used in that market. Lastly, prior knowledge of customer problems entails information on what customers really need and what are the ways in which they are most likely interested in to purchase the product or service in question. It is also the information on which are the needs on the market and what kind of innovations could generate demand.

Prior international knowledge – especially having lived abroad or studied abroad, or, of slightly lesser value, knowing foreign languages – is also of importance when considering initial opportunity recognition in internationalisation (Kraus et al. 2017, 13). However, there are varying results as to how much if at all knowledge gathered through working or work travels abroad are of significance to opportunity recognition. (e.g. Kraus et al. 2017; Chandra et al. 2009; McDougall, Oviatt & Shrader 2003; Kontinen & Ojala 2011b; Kontinen & Ojala 2011a; Söderqvist 2011) In Söderqvist's (2011, 192) study, it was shown that some of the prior knowledge that lead to initial internationalisation opportunity recognition could have been gained a very long time prior to the entrepreneur to even be an entrepreneur let alone seek internationalisation. It is thus fruitful to also thoroughly investigate the pre-founding stage of a company before looking into its internationalisation.

The interrelation between experiential knowledge, alertness for business opportunities and an active search for opportunities manifests itself through the decline in active search measures if alertness to opportunities is naturally high. In order to become more naturally alert, it has been suggested that one should have a broad experiential knowledge of one's domain. (Baron 2006, 113) On the other hand, it has also been found that even though there is knowledge on a specific market or its language and cul-

ture without networks in the country in question – it does not significantly improve opportunity recognition for internationalisation. (Kontinen & Ojala 2011b, 508) Objective and experiential knowledge such as education of even potential entrepreneurs has been proven effective. Education on a broad scale enhances the chance for opportunity recognition as it increases the sensitivity for it in a number of domains. A wide base of experience such as having worked in different positions or countries has the similar effect. (Baron, 2006, 117) As a disclaimer, this can also mean that an entrepreneur can *only* recognise opportunities related to something they are experienced in. (Hulbert et al. 2015, 5)

It is obvious that the market environment, the global economic state and the field of business among other influencing factors have an effect on the ways it is possible to conduct business. In this study, environment conditions are considered from the viewpoint of circumstances and elements linked to opportunity recognition in internationalisation in recent studies. It has been discovered that a key element in SME business opportunities is the ability to analyse the market one operates in. (Hulbert et al. 2014, 9, 24) This ability is linked to the alertness and experience of the entrepreneur as well as the creativity and the ability as personality traits to *respond to situational factors*. These shall be dealt with in detail in a following part of the chapter.

#### **2.2.4 Social networks**

Networks and relationships have been studied within the context of SME internationalisation and have been linked to successful internationalisation for example in Johanson and Mattsson (1988), Chetty and Campbell-Hunt (2004), Johanson and Vahlne (2008), Kontinen and Ojala (2011) and Söderqvist (2011). There have, however, been also critics and disbelievers in the researchers of opportunities. Gaglio and Winter (2009, 318) state as follows: *“We have evidence that the entrepreneurs believe that their social networks are very important to the development of their opportunities [...] but we do not have any insights into what networks actually do for the entrepreneurs, whether all networks and network members contribute equally and whether or when entrepreneurs’ interaction with networks creates problems”*. However, based on the results of multiple researches in the field of entrepreneurship, both business and personal relationships and both strong and weak ties have been linked or are even assumed to be involved in opportunity recognition, exploration and exploitation (Söderqvist 2011, 4). Even more specifically, for example Kontinen and Ojala (2011b, 490) in their study of eight Finnish family owned SMEs found that successful international opportunity recognition was more likely to be done through informal, weaker international ties formed for example at trade exhibitions rather than through close, strong family ties.

As said, networks ties have been linked to have an effect on opportunity recognition. Johanson and Vahlne (2008, 5) use the terms *insider* and *outsider* the former of which refers to a company that is well established in relevant networks through which knowledge is gained. This together with trust and commitment are essential elements of internationalisation though not the only things needed for success. This important factor, an entrepreneur's or a company's network, can be studied and divided in a number of ways. Firstly, relationship ties can be binarised as describing them either as strong or weak ties. The strong ties are those, which have been formed over time, or those with close friends and relatives. Weak ties on the other hand are formed with acquaintances or are new. Spending time and growing trust between particular individuals strengthens their tie and the more their networks begin to overlap. (Granovetter 1973, 1361-1362)

Granovetter (1973) also states that more information can be gathered communicating through weak ties (casual acquaintances) as opposed to strong ties (close family and friends) and that this information is more likely to be unique (Granovetter 1973; Burt 1992) This has also been described with paying attention to the density of the network as a whole: a sparse network with weak ties and many clusters of people who are sparsely affiliated with each other can result in a *structural hole* introduced by Burt (1992). As these people do not share the same redundant information they are more likely to access new, non-redundant information from this network of weak ties, leading to the recognition of opportunities (Kraus et al. 2017, 7).

Weak ties through which this information flows are also so called friends of friends, that is, acquaintances, and indirect contacts. This leads to putting more emphasis on the vastness of the entire network grid as opposed to concentrating on few strongly tied network relations. The diversity of the network one has it of key importance (Burt 1995, 17) and knowledge already and continually gained through this network strongly affects opportunity recognition. (Angelsberger et al. 2017, 30; Hilmersson & Papaionnau 2015) On the other hand, strong ties have been proven to enable the solving of problems through mutual trust as opposed to ignoring them, which in turn may lead to the termination of the relationship as a whole. (Bhagavatula, Elfring, Van Tilburg & Van de Bunt 2010, 255)

In Figure 2, the lead entrepreneur's network, through which internationalisation opportunities can be recognised, is illustrated as a mind-map-like network of both weak and strong relationships as well as both personal and professional or business relationships. As mentioned, the ties between people other than the entrepreneur are proven to be of importance and are thus included in the network.

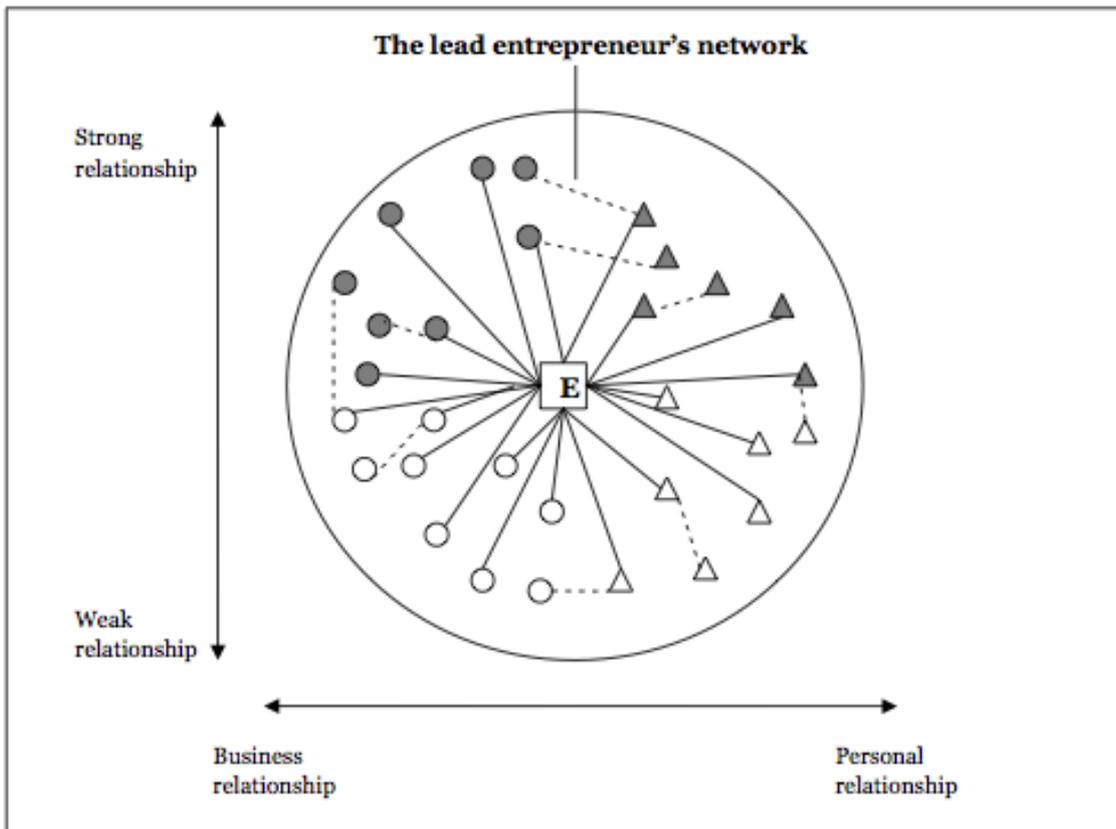


Figure 2 Illustration of an entrepreneur's egocentric network (Söderqvist, 2011,7)

An entrepreneur's relationships comprise the entrepreneur's network and at the same time the company's network confirmed already in 1998 by Johannisson as follows (1998, 300): *"since the entrepreneur epitomizes the small firm and its physical and human resources the individual and the organization as units of analysis coincide"*. This is especially true in SMEs and family SMEs studied by Kontinen and Ojala (2010, 2011a, 2011b). The strong bonding social capital and networks that SMEs have is in grave contrast to their international relationships, which tend to be weak or non-existent. Kontinen and Ojala (2010, 35; 2011b, 494) suggest that this can be ameliorated by attending international trade exhibitions; slow and long-term internationalisation and growth plans coincide with this idea of relationship building for SMEs especially well.

Initially weak and intermediary relationships strengthen and become trusted. They also point out that international trade exhibitions and the like are contexts where similarity of interests prevails and potential business partners can be found without extensive financial risk. These new contacts – weak ties – can then be recognised as possible co-operators and, through the initial gaining of mutual trust and thus lowering risks, provide a way for SMEs to recognise opportunities for internationalisation even with no prior knowledge of the target market or culture. (Kontinen & Ojala 2011b, 508-509)

Companies can also be defined according to their international operations' share and rapidness. If an internationalisation opportunity is recognised and action is taken to-

wards internationalisation, there are ways to determine whether the internationalisation has been that of an international new venture or a global start-up or instant international. (Söderqvist 2011, 18) Many studies focus on the speed of internationalisation instead of pure recognition of opportunities (Oviatt & McDougall 2005, 541), but also state that moderated by knowledge and network relationships, the internationalisation speed can accelerate. Thus, one can deduce that internationalisation per se is also influenced by knowledge and network relationships. It has also been said that as relationships are a social construct, it is virtually impossible for someone who is not personally involved to judge the scope or place value on any relationship considering what has gone into building and maintaining it (Johanson & Vahlne 2008, 4).

Regarding SMEs, formal relationships and new network ties gained for example at international trade exhibitions have empirically been proven worthy forums. (Kontinen & Ojala 2011b, Söderqvist 2011, 195) The weakness of these network relationships is eminent by definition but their potential for alert entrepreneurs as sources of information is synchronously noteworthy. It has been discovered (Angelsberger et al. 2017, 27) that SMEs – especially family SMEs – have a tendency of recognising the first-time international opportunity through social networks with strong ties such as close friends or family members and after the initial internationalisation – through business networks comprising of both strong and weak ties such as competitors, customers and suppliers. Social capital as a whole is crucial to a [family] SME's ability to recognise international opportunities (Kontinen & Ojala, 2011b) alongside with the personal background of each individual entrepreneur or SME manager as shall be pointed out in the following part.

### **2.2.5 *Personality traits and cognitive abilities***

Relatively early, in 1994 in a study of opportunity recognition by Krueger and Dickinson (1994, 386) it was discovered that personality traits such as having a good self esteem or perceived self-efficacy had a positive correlation with perceived opportunity. Other important traits in studies are aforementioned Kirzner's (1987) passive search for opportunities labelled as alertness, which was discussed earlier in this chapter in detail, or traits on which alertness typically rests as Shane's (2000 & 2003) discovery of high intelligence and creativity. Shane also points out that an individual's willingness or ability to act upon a discovered opportunity (2003, 7) influences greatly the entrepreneurial process, because opportunities themselves do not have the agency and cannot just happen once discovered. Obviously, the discoverer-entrepreneur does not need to act upon the opportunity alone or at all: it can be sold to others or help can be obtained to co-exploit the recognised opportunity (Shane, 2003, 9).

Creativity is mentioned as an influencing trait in many studies (Hulbert, Gilmore & Carson 2014, 7; Zimmerer & Scarborough 2002, 37) as something that aids in recognising opportunities, closely linked by definition to entrepreneurial alertness. Creativity manifested itself concretely in *modification* of existing products, services or market channels, *synthesis* in terms of combining two or more elements to create a new product or service and *invention* presented by entirely new technology used to create a new product or service (Hulbert et al. 2014, 17). Experiential knowledge with emphasis on cultural knowledge that can be viewed as something closely connected to the persona of the lead entrepreneur, achieved through having spent time in a foreign country has also been empirically proven to matter (Hulbert et al. 2014, 9;24; Baron 2006, 116).

This is in connection to both entrepreneurial networks and the knowledge base growth. The cognitive framework or cognitive structures an individual forms for a certain domain are developed through previous life experiences and are unique to everyone. (Kontinen & Ojala 2011b, 493) This can happen through having worked in different fields or having degrees in multiple subjects differs from the view of the rest the world and makes a unique someone prone to recognise changes occurring under everyone's eyes. The changes in this known domain may relate to changes in government policies, markets, demographics, trends or technology. This, in turn, leads to recognising opportunities brought by these changes. However, having a lot of experience may also result in a negative way as the alertness for opportunities can decrease when "knowing what to do" business wise. (Baron 2006, 114-115)

One of the two quantitative studies in the field done by 2017 (Angelsberger et al. 2017, 31) is one focusing on entrepreneurs' linguistic knowledge (Hurmerinta, Nummela & Paavilainen-Mäntymäki, 2015). In the study, linguistic knowledge is linked to international opportunity recognition through various levels. Firstly, the mere ability to speak English results in better abilities to recognise foreign market opportunities. Secondly, speaking a *local* language rather than the lingua franca English provides even more success and the more languages are spoken, the vaster the scope of opportunity recognition in the corresponding markets. Thirdly and lastly, even with a wide knowledge base of languages, cultural knowledge acquired through international experiences was found significant.

A quantitative study closely related to the subject, building on Shane (2000) and Venkataraman (1997) as well as their work together (2003), is one addressing the personality of an entrepreneur through a more psychological approach (Michl, Welpé, Spörrle & Picot 2009). The researchers built a scenario, which was then presented as a questionnaire to employees, students and entrepreneurs. The variables were profit margin, time to profit, prior investment and probability of success, which resulted based on choice in 16 different scenarios. The results state that profit margin and probability of success were the most important in entrepreneurial decision-making process and the

evaluation of opportunities. A state of joy was found to have direct positive affects on the opportunity evaluations success and its exploitation, where as anxiety had a direct negative effect on it. (Michl et al. 2009, 1)

### 2.3 Synthesis of the theory: SME international opportunity recognition

Despite the very recent emerging of most of the theory concerning opportunity recognition in internationalisation, many coherent studies have been conducted with all the more hopes for additional research. Based on the literary review of theories presented in this chapter, a visual representation has been made to provide a synthesis of the interconnected and thus occasionally but vaguely distinguished factors contributing to international opportunity recognition of SMEs. In Table 1 the factors are presented with their representative features, explanations and finally their relatedness to other factors. Figure 3 is a simplified representation of the same factors, that all contribute to opportunity recognition.

Table 1 Synthesis of the theory

Factor	features	description	relatedness
<b>Entrepreneurial alertness</b>	-high/low -serendipitous/ innate	-an opportunity discovered (→evaluated → pursued) -innate (Kirtzner 1973) -through knowledge and experience in the markets	lack of alertness → <b>systematic search</b> → <b>networks</b>
<b>Systematic search</b>	-high/low -in domestic markets/in foreign markets	-Through existing/new <b>networks</b> -through media	lack of systematic search →serendipitous discoveries → <b>alertness</b> → <b>networks</b>
<b>Prior knowledge</b>	-of markets -of ways to serve markets	Gained from -prior work experience	Lack of knowledge → <b>alertness</b> → <b>networks</b>

	-of customer problems	-living or traveling abroad -through <b>networks</b>	
<b>Networks</b>	-tight/weak -domestic/foreign -diverse/dense	-source of <b>knowledge</b> -new/weak relationships bring more valid information	lack of existing networks →forming of new networks = weak ties with more information → <b>prior knowledge</b>
<b>Personality traits</b>	-creativity -intelligence -networking skills	innate entrepreneurial skills (cf. <b>entrepreneurial alertness</b> )	→learning (creating <b>knowledge</b> ) and evolving as an entrepreneur through international opportunity recognition

The factors are explained through their core definitions and lack of thereof is presented then through the factors that are more prone to step into action in the last column. The interrelatedness and interconnectedness is highlighted through the marking of the factors in bold letters. Thus, for example, the lack of prior knowledge is as seen directly connected to networks through which more and new knowledge can be gained or alertness, which according to prior research, is of importance especially for SMEs when no prior knowledge is gathered. As a simplified model, Figure 3 presents the synthesis of the theory in a circular model showing the interconnectedness of the different factors in international opportunity recognition.

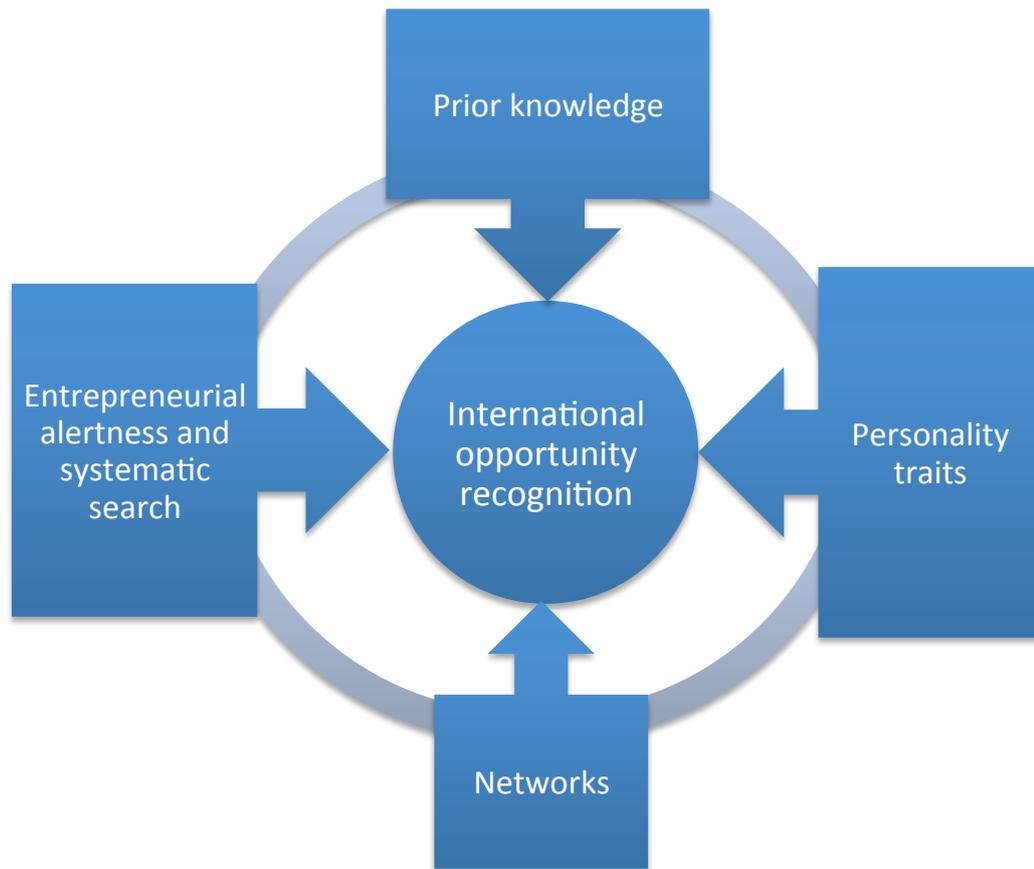


Figure 3 Model of synthesis of the theory on international opportunity recognition

It can be seen in Figure 3 that the different factors of the model leading to and enabling international opportunity recognition are all connected and through one or many of the factors combined an entrepreneur or a company can reach the state of recognising international opportunities. The model can be interpreted and used in domestic as well as in foreign markets in a similar manner. In this study, the model shall be used in the context of significant and on going global market change, which, however, does not significantly affect the model itself. The next chapter will focus on the how and why the empirical knowledge to assert these issues in the chosen field of business was obtained.

### 3 METHODOLOGY AND DATA

The music industry field has, as described in the introduction, taken on a form where there are few large or major enterprises and a growing number of small or micro companies or cultural entrepreneurs. This sector of small businesses is at the moment increasingly interesting, as it appears to be one of the driving forces behind industry growth. The many changes often described as crises that have faced the business over the last decades such as the MP3-crisis, have made it possible for the smaller, more agile companies to flourish while the majors are forced to struggle with the ever changing environment of legislative conundrums, consumer behaviour and technological advances related mostly to distribution of music. (Hracs 2012).

The major record labels and their struggles in the changing business environment have been studied throughout the many crises they have faced (e.g. Jones 2002; Leyshon 2003; Connell & Gibson 2003). The cultural entrepreneurs in the field, on the other hand, have been observed much less even though their importance and combined impact is agreed to be strengthening. With the recent positive shift in global sales of music and the fact that, according to statistics (IFPA Finland), Finnish companies are producing, selling and exporting music with increasingly growing numbers, my attention was drawn to these possible saviours and growth factors of the industry. A field where many changes happen and little research has been done previously supports the choice of a qualitative research approach. Thus, in order to study the phenomenon and these cultural entrepreneurs of the music industry in their real life settings, a case study approach was selected.

#### 3.1 Case-study as a research approach

In studying a contemporary phenomenon, such as the international opportunity recognition of SMEs in the music industry, Stake (2006), Gerring (2004, 342) and Yin (2014, 23) state that a case study is the recommended choice to get deeper into the phenomenon in its real life context and is typically used in social and life sciences. A case study's value is typically in providing a "holistic in depth characterization of individual entities within a particular context" (Duff & Anderson 2015, 112) and answering questions *how* and *why* (Yin 2014, 6). It has been argued, though, that social scientists should focus merely on the construction and testing of generalizable theories, leaving to historians the explanation of individual cases. The archival training that historians have, does give them advantage in inductive case studies, which Eriksson and Kovalainen (2008, 129) also see most fit for business studies, whereas theory-guided case studies suit social scientists' knowledge and abilities for explicit and structured use of theory

(Levy 2008, 4-5). A qualitative method such as a case study also supports and excels in the better understanding of complex and ambiguous topics. The method has been seen as ideally providing and resulting in a holistic and rich description of the overall phenomenon studied. (Eriksson & Kovalainen 2008, 5; Hirsjärvi, Remes, Sajavaara 2004, 52)

Having decided upon using the case study method in this research, the cases in this study were selected as representing companies that are strongly striving to make it in the international markets. The theory was gathered from most recent subjects in the interest of researchers in international opportunity recognition. The process of a case study and its analysis is a subject that has many approaches. Eriksson and Kovalainen (2008, 127) emphasise that it is good to have some flexibility: as one starts with a preliminary topic, problems or research questions, it is typical that new questions start emerging from the data collected up to the point. The flexibility is rooted in the approach also in the sense that an interviewer is able to adapt questions and deepen them during the process of the actual interview as well as ask for clarifications (Eriksson & Kovalainen 2008, 82). As can be seen in the interview guide (Appendix 1), the themes and questions have been left rather open ended and provide multiple possibilities for the shifting of subject to a more interesting, emerging theme. One must also take into consideration that the researcher's interest may shift during the process.

This in mind, Dubois and Gadde (2003, 3) have found that "systematic combining" is a way to best describe a case study meaning that the generation of theories and their confirmation should be treated as an inseparable entity. Also Eisenhardt (1989) and Dyer and Wilkins (1991) propose the idea that research questions are formulated or at least refined and refocused as the process of the analysis proceeds. This more inductive way of conducting a case study is more often suitable for business related studies (Eriksson & Kovalainen 2008, 129) Therefore, the research question and its sub questions in this study have been in a state of transformation throughout the process and did so until the very last bit of data was collected and analysed. The interviewers were willing to give enough time to be spent on the interviews and thus also the scope of themes discussed was wide enough and detailed enough to enable analysis on both subjects that were of interest prior to the interviews and those that emerged from research published after the interviews were held.

Widely used ground-theory-like typologies of case studies are those made in the 1970s. Lijphart's (1971, 691) categories consist of atheoretical, interpretive, hypothesis-generating, theory-confirming, theory-informing, and deviant case studies where as Eckstein's (1975, 96-123) categories are those of configurative-idiographic, disciplined-configurative, heuristic, plausibility probe, and crucial case studies. Most of these classifications and different identifications of case studies serve to a different pur-

pose, but for example both Lijphart's hypothesis-generating and Eckstein's heuristic case study are similar and essentially made in order to generate hypotheses.

Another combination or simplification can for example be made from the combining of configurative-idiographic (Eckstein 1975, 96-99) and atheoretical (Lijphart, 1971, 1975) approach as both refer to a case study with little or no theoretical framework to guide the researcher through. Levy (2008, 3-4) presents an entire combined and simplified typology of case studies which consists of "*idiographic* case studies, which aim to describe, explain or interpret a particular "case" and which can be either inductive or theory-grounded, *hypothesis generating case studies*; *hypothesis testing cases*, which combine Lijphart's theory-confirming and theory-informing categories under which this study falls; and *plausibility probes*, which are an intermediary step between hypothesis generation and hypothesis testing and which include "illustrative" case studies".

*Hypothesis generating* case studies contribute to the process of theory and in them, case studies are aimed at generalising beyond the data gathered: providing a hypothesis to be tested for example quantitatively in order to close in on a more general theory. (Levy 2008, 5) Despite the chosen method and the view on theory, theory development as part of the design phase of the study is essential, whether the ensuing case study's purpose is to develop or to test theory (Yin 2014, 27) as was done in this research.

*Plausibility probes* are cases that can be seen as pilot studies or literally probes launched prior to undertaking a time and money consuming survey or other research method. They aid in sharpening hypotheses or survey design, conforming the suitability of a certain kind of case for the future study or for example help refine the key variables of a study. Thus they are in particular useful in a multi-stage research strategy (Levy 2008, 6) and after a pilot study, the researcher can either modify the intended design or with a single case that was thought to be unique or relevant, it might turn out not to be so. (Yin 2014, 52) In this study, a melange between a theory-informed descriptive approach and theory confirming or infirming approach was selected. A theoretical background exists and through descriptive case analyses, the existing theories or their parts can be confirmed or infirmed. (Haverland & van der Veer 2017, 5)

A single case approach where only a single small company in the music business in Finland would be selected for this study was abandoned as several sources of empirical data provide much more accuracy and diversity (Eriksson & Kovalainen 2008, Levy 2008, 7). There are opposing views, such as Dyer and Wilkins (1991) who favour the careful choice of a single case to be studied in depth enabling the researcher to understand and describe the context with more accuracy and leading to higher credibility or Levy (2008, 8) pointing out that if the entirety of possible cases is small and theory-generation is in the chosen approach, fewer (or just one) case carefully investigated leaves enough cases to be thereafter tested with the theory generated.

Despite the different views on the number of cases, both Eisenhardt (1989) and Dyer and Wilkins (1991) accept that using several mini-cases is a good approach. Thus, in this study, there is the umbrella case of internationalisation of independent record companies in Finland as a whole as well as the individual cases of two independent companies internationalising. The selection of the two cases was done prior to the entirety of theory being collected. The sampling strategy selection was done with the number of desired cases in mind: the labels would be chosen as typical or representative of the field in general, that is, the cases being fairly common in the population from where they are drawn, but heterogenic in term of their age, size, market choices and music genres. One was founded and begun internationalisation prior to the market change caused by digitalisation of the record industry (Sähkö Recordings) and the other was founded on the verge of the shift (Solina Records).

There was no desire to seek extreme cases or outliers or for that matter, cases that would differ from each other in as many ways as possible. (Duff & Anderson 2015, 116) A desire to have an ability for cross-case analysis after within-case discussion in the topics of theoretical significance was kept in mind and is done at the end of chapter 4. To be able to provide as much in depth analysis of the field and the subject, the two cases were chosen with prior knowledge of their international success. Both case companies agreed to participate when asked about the possibility of interviewing their founders – and access to cases is typically the most time consuming and difficult part in building a case study especially with multiple cases (Levy 2008). A view of the current state of the music industry in Finland was already well established through research, participation in the field and vast, diverse networks within the field.

### **3.2 Data collection and analysis**

In a case study, the data used in analysing the phenomenon the researcher finds interesting, can be both existing empirical data and that produced for the research project in question (Eisenhardt 1989, Eriksson & Kovalainen 2008, 126). The former comprises of documents such as statistics, annual reports, archival records, budgets and articles. In this study, as much existing empirical data has been gathered up as seen necessary for the understanding of the cultural and music industries' development up to their present state. These include statistics from both the international and national IFPI (International Federation of the Phonographic Industry) and Music Finland's annual reports with statistical information for a more concentrated view of Finland as a field of domestic operation for the case companies. Multiple types of secondary information were also used to gather data about the case companies themselves and thus improve the validity of the research and help to form a comprehensive view of the case companies.

The latter, that is, data produced specifically for the research project in question, is a series of semi-structured interviews with open-ended questions, which forms the main body of data about the case companies in question and the basis for analysis. Eriksson and Kovalainen (2008, 126) recommend as open ended interviews as possible, and in the interviews conducted for this thesis, the structure is used only as a tool for easier comparison of cases and making sure all aspects intended are covered. Open ended questions also enable the interviewees to more openly describe their point of view on issues addressed and give the interviewer an opportunity to react with follow-up questions to possible new issues that arise during the interview. The interviewees were chosen as the representatives of the companies due to the fact that they both are the heads of their companies: Solina Records' Tom Riski is one of two owners but is in charge of all other company actions but artist choices whereas Sähkö Recordings' Tommi Grönlund is the sole owner of the record label.

The interviews lasted for 75 and 100 minutes and were both recorded and transcribed verbatim with a check-up listening whilst reading the transcriptions to ensure all was written down correctly. The music industry is by nature a business where personal relationships and networks matter – according to the interviewees most industry professionals know one another, and thus a choice was made to conduct the interviews face-to-face. In Table 2, the main aspects of the data collection in the interviews are presented.

Table 2 Interviews

Company	Interviewee	Date	Place	Duration	recording
Solina Records	Tom Riski, one of two found- ers/CEO	13.2.2013	Nurmi & Sulonen café	1h 40min	Yes
Sähkö Recordings	Tommi Grönlund, founder, sole owner	30.3.2013	Café Victor, Turku Art Museum	1h15min	Yes

Regarding the interviews, Eriksson and Kovalainen (2008, 79) point out that the interview questions must be formulated to be different from the research questions. This matter has especially been given much attention, and the clarity and focus of the interview questions has been tested on several individuals operating in the same field of business as the interviewees to ensure that the question design opens up to the interviewees without undesired connotations.

The case specific empirical data collection with the help of a pre-designed interview guide has been done thematically to help analyse the results. Pre-planning under themes or the sub-questions of the study is recommended in case study literature (Eriksson, Kovalainen 2008, 128). Pre-planning and theming has been done for this study as well as preliminary coding of the interviews already conducted.

The interviews were conducted in a casual environment that is in public cafés. This was done to make the interviewees feel comfortable and to help them speak more freely. Both interviewees refused to accept the offered free coffee. The recording was done with a digital recording apparatus that was on the table for the duration of the entire interview. The machine had been tested before and its functions learned in order to avoid such basic mistakes as not actually recording the interview due to not having been accustomed with the recording device in question.

During the second interview, it was asked by the interviewee that the recording device be kept hidden or as far away from him as possible to help overcome shyness. This request was taken into action as well as a proposed slow start of the interview with casual small talk before the actual questions being asked. Other minor drifting from the core subjects and questions was manifested also later to make the interviewee more relaxed.

Data analysis, as mentioned, begun by reading through the transcribed interviews and marking sections of them that had specific or clear ties to the themes and theories that had previously arisen from research. No qualitative data analysis tools were used in this process: instead, all was done by hand. It was fairly soon clear that many answers had clear links two several theoretical themes whereas some stood out as confirming a certain specific theoretical theme. Same themes arose at different parts of the interviews and were linked together in the analysis and coding stage. The most significant parts of the interviews were then translated – as the interviews were done in Finnish – to be presented in this paper.

### **3.3 Evaluation of the study**

According to Yin (2014, 32) there are four commonly used tests to help establish the quality of any empirical study. A general discussion of trustworthiness or dependability of analysis is also recommended specifically with case studies. (Duff & Anderson 2015, 115) Yin's (2014, 33) four tests for judging the credibility of the case design are *construct validity*, *internal validity*, *external validity* and *reliability*, which he also states are common to all social science methods.

In this case, multiple sources of evidence have been used to provide multiple measures of the same phenomenon and to avoid dependence on information from a sin-

gle source. The draft case study has been given for review to ensure accuracy and a chain of evidence has been maintained and written down to allow tracing from conclusions back to the initial research questions. Construct validity in case studies is linked to data collection in establishing the correct operational measures for matter and concepts studied. This refers to the use of multiple sources of evidence in data collection and developing a chain of evidence or thirdly, having the draft case study report reviewed by key informants – all of which increase the construct validity. (Yin 2014, 34)

Internal and external validity are to be taken under a loop when performing data analysis. Internal validity may be of concern for causal case studies, when determining whether  $x$  caused  $y$ , concluding it is true without knowing that a third factor  $z$  may in fact exist and actually have caused  $y$ . With descriptive or explanatory studies this inapplicable. On the other hand, in cases studies, making inferences is a problem, they must be questioned whilst analysing. These can be dealt with for example through a tactic of pattern-matching, explanation-building and time-series analysis. (Yin 2014, 35) Triangulation, may it be that of methods, data sources - including cross-case comparisons – or investigator or theory triangulation, are also useful in increasing internal validity.

In the study herewith, this problem was dealt with early on already in the forming of research questions, which as a process was on going throughout the research, and with help from industry professionals on the subtle and sometimes inadequately thorough answers of the interviewees to questions that were very meticulously designed to avoid any wrong inferences but provide clear coherent answers. Also, a time series analysis was done to make a chronological understanding of international activities in both cases. Triangulation of data sources was also incremented to increase internal validity.

This study uses two case companies and is thus opt for cross-case comparison and as theory generation has not been the aim of the study, there should be little concern over the external validity thereof. External validity deals with knowing whether a study shows findings that are truly generalisable beyond the immediate case study. Although generalising has been seen very problematic for case studies and especially single case studies, Yin (2009, 36) sees it only as a poor contrasting to survey research. He also points out that “case studies, like experiments, are generalisable to theoretical propositions and not to populations or universes” (Yin 2014, 10) and “survey research relies on *statistical* generalisation, whereas case studies [...] rely on *analytical* generalisation” (Yin 2009, 36), where only a particular set of results is aimed to be generalised and with multiple case scenarios, this replication logic counts on the repetition of the case and discovering of similar results to further fortify the original generalisations.

Reliability is concerned with the repeatability of the study, that is, if another researcher were to perform the exact same steps with same data collection procedure, they would obtain the exact same results. This has been described through the formation of a case study protocol and a case study database. Case study protocol standardises the in-

vestigation and should include introduction to the case study and the purpose of the protocol, the data collection procedures, an outline of the case study report, high-level case study questions, and any references. Documents adding to the case study database include the overview of the project, field procedures, guiding questions, and a report outline. (Yin 2014, 37,92)

Reliability has been dealt with in this study through having an introduction, purpose and means of the study described as well as the research questions and their formation in chapters 1 to 3. Comparison with both conflicting and similar literature has been provided to raise the study's theoretical level and to sharpen internal reliability (Eisenhardt 1989, 533). Thereafter, the references used have been clearly pointed out and listed at the very end of the study as well as the interview guide in appendix 1. A database of the case study exists, including the preliminary research in the Finnish music industry for independent record labels that have pursued international opportunities and could thus be chosen as case companies, the initial drafts of theory and research questions, the correspondence with interviewees from the chosen case companies, background and statistical information on the case companies and the music industry, the guidelines for the interviews in several versions and the transcripts from the interviews.

## 4 A VIEW ON THE MUSIC INDUSTRY AND FINDINGS FROM CASE COMPANIES

### 4.1 Music industry as a context for the study

#### 4.1.1 *Music industry – a creative industry*

As stated before, the music industry and most of its core activities fall under the wider term: *creative industry*. Interest in the field has been growing rapidly as it has been clear that the growth rate of the cultural, commercial and industrial functions grouped into the creative industry category has been faster than that of the whole economy. With the globalisation and digitalisation of the world, the distribution of immaterial capital, which is at the core of creative industries, is now seen as a business opportunity to be taken seriously. (e.g. Jones, Comfort, Eastwood, Hiller 2004, Wilenius 2006, Matheson 2006)

The term creative industry, under which the music industry falls, is a rather new definition – first used in 1997- despite the creative industry itself being not (Jones et al. 2004, 134-135). Often it is used to describe the creative industries and professionals in the field as drivers of “more than simply economic growth” (Matheson 2006, 55), that is, paying attention to social and cultural development. The cornerstones of the new paradigm that encompasses innovation, entrepreneurship and creativity, can be identified as 2001 publication “The Cultural Creatives” (Anderson & Ray) and 2002 “The Rise of the Creative Class” (Florida). The progress in the field refers for example to the wide spreading and well profiting gaming industry but also to the global music industry. For example in the United Kingdom, already between 1997-2002 the growth rate of the industry was 6% - double the number of the economy as a whole (Jones et al. 2004, 134-135) and studies show, it continues to grow (Siebert & Wilson 2013, 712) despite the economic crises still facing the global economy.

As the industry sector grows, so does the amount of people it employs. The creative industries have furthermore been employing people at a rate faster than the economies as a whole (e.g. Jones et al. 2004, 135; Siebert & Wilson 2013, 712). Siebert and Wilson (2013) have studied the consequences of the fact that there is also a large number of unpaid workers or trainees involved in many of the creative businesses including music. In this study, however, the possible unpaid work will be viewed as a result of entrepreneurial risk taking as the focus shall not be on trainees or students in the industry. The entrepreneurs interviewed are mostly working part-time or in addition to full time jobs in the same or completely different sector and are driven either by the creative produce

they make, that is, music or simply by the "quality of life imperatives" as Jones et al. (2004, 135) describe the actors in the field.

#### **4.1.2 *The MP3-crisis or the digitalisation of the music industry***

Blondie's lead singer Debbie Harry has stated in an interview (Wallis 2014, 162) that "computers and the internet and downloading songs completely ruined the music industry and everything artists used to work for." This strong opinion from an artist's perspective is a reaction to the changes the industry has undergone in the recent decades. Preston and Rogers (2011) have studied the effect digitalization has had on the music industry discovering both positive and negative attributes. They state that through social networks it has become easier to discover music but on the down side, the ease of illegal peer-to-peer network sharing of music and the "harmful effect of limitless substitution" (2011, 9) are a serious threat to the music industry having survived the "crisis". In this study, the positive effects that the social networks bring to the companies in the business will be discussed but the negative issues such as piracy will not be dealt with in deep. As this study is limited to small and medium sized independent record companies operating from Finland, it is clear that the results may not be interpreted and used as such to advance business done from other parts of the world. However, some parts of the study, such as the aforementioned phenomenon of global sales of (digital) rights to material produced by an artist, are naturally omnipresent at all markets.

Piracy and illegal file sharing have been studied intensively in all fields of business affected, including the music industry, since the phenomenon surfaced (e.g. Battacharjee, Lertwachara, Marsden, Telang 2007 and Bustinza, Vendrell-Ferrero, Parry & Myrthianos 2013). It has been reminded (Bustinza et al. 2013) that revenues in the music industry had been declining since the beginning of the 21st century (IFPI 2011) until the recent change upward on the scale in 2012 as will be described in detail in the following section.

Preston and Rogers (2011) find in their empirical study conducted in Ireland, that "on going legal innovations, combined with the widespread adoption of social networking sites and other online content platforms are (amongst other factors) serving to maintain and bolster the position of major music copyright owners." They state that the music industry has been innovative in the sense that new revenue possibilities have been found. However, through a more dynamic and agile way of operating, the recent changes described above have opened up a sea of opportunities for the smaller, independent labels and music copyright owners as well.

The ways in which new audiences and augmentation in record sales and revenue can be achieved have also changed with digitalisation. An indisputable example of this is

the rise to popularity of the electronic artist by the name of Moby in the 00's through placement, that is, licencing of album songs to commercial use. It has also been stated that successful examples of positive career shifts encourage artists and record labels to consider placement or licencing not only in advertisements but also in films and television a real option for increased access to consumer markets. (Klein 2009, 59) Meier (2011) has termed this cooperative style of using bands for brands as "promotional ubiquitous music".

Peterson (1976, 13) first introduced the paradigm of division of culture into "high vs. popular culture" and Klein (2009, 61) continues with the same idea: "within popular music and within advertising the same distinctions between inferior and superior, artistic and popular, crop up". Klein suggests there are other qualities that must be taken into consideration when analysing the business, as both the higher culture and more popular culture and commercial music groups/performers have been represented/used for a variety of commercial activities. In her interviews on the topic of licencing recorded popular music into adverts, Meier (2011, 402) notes that there has been a complete change in attitudes toward it, meaning that it has rooted into the industry in the past decade and become the "'common sense' way of doing business in the past five years in particular".

Bethany Klein (2009, 63) concludes from her studies of the contemporary commercial radio scene in the United States that advertising today "offers both the largest payments for music and the greatest number of potential listeners". Commercial radio according to her seems to favour major labels' artists and use increasingly shorter playlists making it virtually impossible for independent labels to get their artists' material airplay. This shift in radio stations' attitudes is not only happening in the United States but has recently been evident globally. There is, thus, yet another reason for independent labels to seek revenue from other sources. The similar kinds of changes in favour of the major labels were also evident in two previous revenue-creating changes of the restructuring stages of the post-MP3-crisis era.

The first was the technological breakthrough, the compact disc or CD, which enabled the major labels with vast back catalogues to print reissues of previously released material for much less than their original production costs. The second one occurred in the restructuring of record distribution, as a large number of retailers who failed to react to the changing consumer attitudes were forced to close their stores. In the United States alone, approximately 1,200 music retailers ended their businesses between the years 2000 and 2003. (Hracks 2012, 448-452)

The aforementioned crisis is not only linked to illegal distribution and the concentration of retailers – a significant change happened also in the buying behaviour of the consumers who still use money on music. IFPI statistics on 2013 record sales divided into market shares of music genres and formats shows, that despite rock as a genre being at the top of the list with sold albums (33.9% of all albums sold) and music defined

as pop at the fourth place with only 7.9% of all albums sold, there is another way of looking at the sales. In the case of pop music, in 2013 its market share of all *tracks* sold was over 20%, nearly the same as individual tracks defined as rock had. This is an important feature of the present day markets of music.

The post-MP3-crisis music industry after restructuring is that of innovation and new revenue opportunity creation (Hracks 2012, Wikström 2009). The restructuring of the business had a great impact on the major record labels as they had to transform their ways of generating revenue. As Figure 4 shows, the revenue stream from sales of recorded music began its downturn in 2004, five years after the introduction of Napster. However, the total revenue of the music industry has been growing even beyond the year 2011 seen in the figure, as stated earlier. This can only mean, that other sources of revenue have indeed been found to replace the sales of physical records. The fastest growth can be detected in both the concerts-line representing revenue created from live performances and the revenue from the Internet or mobile phones sector.

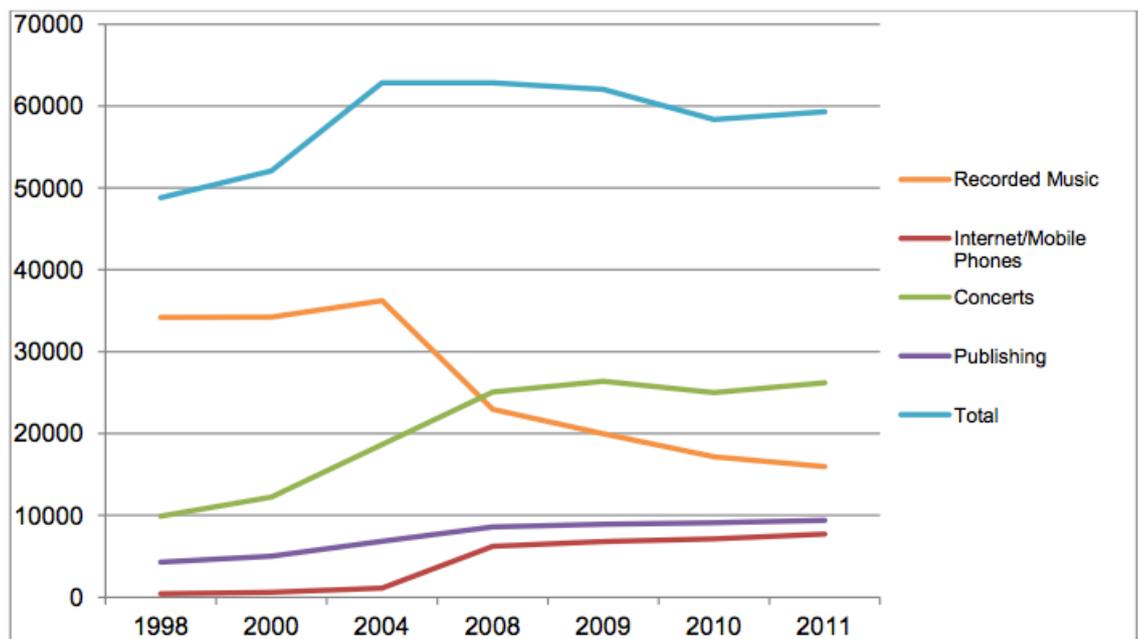


Figure 4 Trends in Total Revenue of the Music Industry, USD Million “Copyright & Creation: A Case for Promoting Inclusive Online Sharing” by Bart Cammaerts, Robin Mansell and Bingchun Meng, The London School of Economics and Political Science Department of Media and Communications

As the statistical information in Figure 4 only reaches the end of 2011, it does not yet express very clearly the beginning of a turning point that was the year 2012. As described in detail in the previous chapter, 2012 saw significant shifts in the global market for music: for the very first time digital sales exceeded the sale of physical records and in addition, the subtotal revenue in the business rose resulting in many boldly titled pieces of journalism describing the renaissance of the business. In Figure 1, there is a small rise in the total sales after many years of declining – signalling the change in consumer behaviour and as will be described later, the innovativeness of record labels and releasers of music in the search for finding new revenue opportunities.

The growing sectors in revenues created in the music industry are performance revenue, synchronisation revenue, performance rights revenue and digital revenue. According to IFPI statistics in 25 markets, digital revenues in 2016 accounted for more than half the recorded music market with five further countries crossing the 50% threshold already in 2015. The most significant leap in 2016 was the 60,4% growth in streaming revenue – more than making up for the 20,5% decline in digital download revenue. There are still some countries such as Japan and Germany in which physical record sales are significant and account for half of the music industry sector's revenue, and the vinyl as a format is continuing to keep the physical record sector afloat. Performance rights, that is the revenue created by the use of recorded music by broadcasters and public venues, has seen continuous slow growth, in 2016 it grew by 7%, but is still undervalued. The recording industry revenues including performers' revenue from the sector globally amounts to only some 2% of the radio industry's income and thus fails to fairly reflect the value of the use of the rights. As the consumption of music is moving away from the physical and digital ownership of music to on-demand and other streaming services, there is a pressing need to evaluate and modify the performance rights legislation on a global level. (IFPI Global Music Report 2017)

In Figure 5, it can be seen that despite the difficulties the larger, slower multinational major record companies faced during the initial period of the crisis that has been named among others the MP3-revolution (Hracks 2012, 445-557) at least one source of revenue, digital sales, has been steadily growing. In the era of the digitalisation of everything, record labels are forced to participate in numerous online activities in the hope of revenue creation through digital sales. The heavy and costly production chain of physical records can be avoided through digital sales – a significant gain for small and medium sized record labels lacking initial capital. In Figure 5 the digital sales are of course comprised of both major labels and smaller labels' sales; the steady growth has in recent years with new consumption and sales platforms taken also greater upward steps. As it is considerably cheaper to release music in the digital platform, both small and major labels have, in addition to releasing new music, been searching their back catalogues

and reissuing re-mastered versions of old hit albums that have sold out in their time or finding forgotten rarities. (Wikström, 2009)

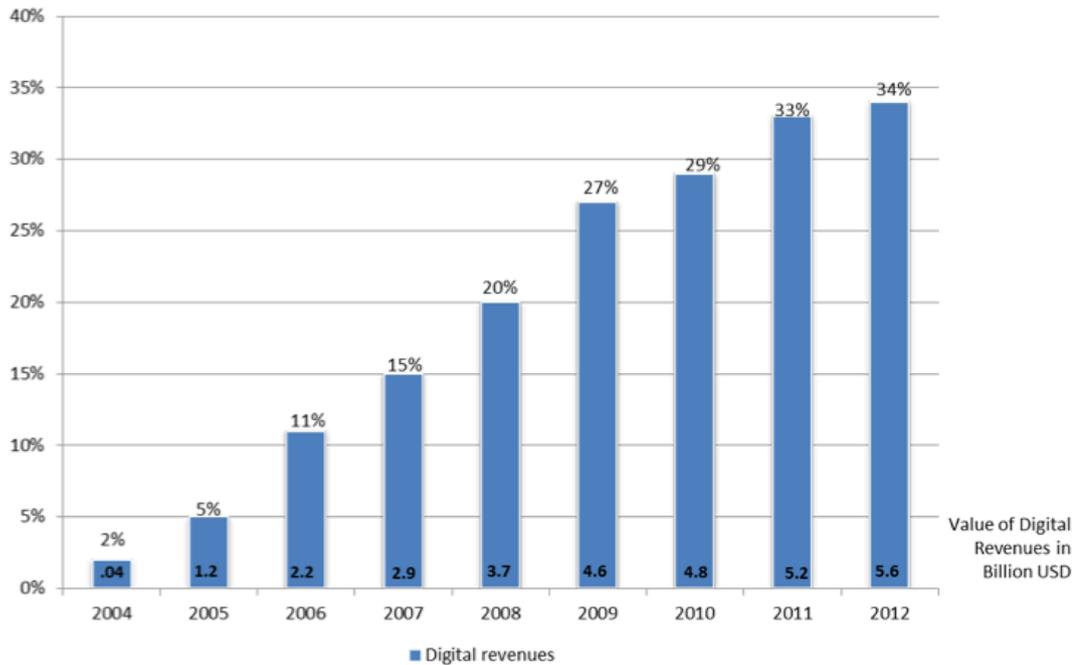


Figure 5 Digital Revenues as a Percentage of Total Revenues from Recorded Music in Absolute Values, USD Billion. Source: IFPI digital music reports

Despite the digital revenues growth in total, there has been shifting within the sector as digital purchases have declined and streaming services grown substantially. The digitalisation has provided the record industry with a significant new tool for business intelligence as a by-product of streaming services' rise: the streaming services such as Spotify, provide large amounts of very detailed data on music's audience within the service and using the same data, the streaming services themselves provide users with playlists and recommendations of new music weekly and daily. The sophistication of the algorithms behind the recommendations on Spotify - through which many independent record labels in addition to the majors can receive plays and thus revenue - is backed up by professional playlist makers within Spotify, who follow the industry closely.

According to the sales statistics of the United Kingdom –market (Music Week June 6 2014) show that in 2013 the record industry there saw a growth of 1,9% and for the very first time, streaming services and digital downloads had a majority status accounting for over 50% of all music sales. It is also entirely due to streaming that the global recorded music market enjoyed its second consecutive year of growth (5.9%) in 2016. Prior to 2015 it had endured 15 years of decline. (WINTEL 2017) According to the most recent statistical information provided by IFPI, synchronisation revenue appeared in the statistics in 2010 and has enjoyed grow every year after that initial appearance. Synchronisa-

tion refers to the revenue gained from licencing music to movies, commercials, games or television series and can be seen as the latest trend for revenue creation for labels. (IFPI Global Recorded Music Industry Revenues 1999-2016)

#### 4.1.3 *The players: major labels and small independent labels*

The music industry in terms of power distribution is very different from that of its' early days. What was once called the *Big Six* (1988-1999) comprising of Warner Music Group, EMI, Sony, BMG, Universal Music Group and PolyGram, experienced a loss of one in both the turn of the millennium (PolyGram acquired by Universal) and again in 2004. Sony and BMG embarked on a joint venture in 2004 and in 2008 BMG got absorbed into Sony at which point the enterprise was renamed as Sony Music Entertainment. The last restructurings happened in 2012 and 2013, when EMI was split into pieces: in 2012 Universal bought one part of the company's recorded music division, Sony bought its' publishing and in July of 2013 Warner Music acquired its' Parlophone and Virgin Classics –labels. This leaves the present music industry with only three global giants operating in the production, releasing and marketing of music.

Statistically speaking, the major labels' sales accounted for of the entire market in 2017 and their share of the market based on value of rights ownership reached only 61,6%. (WINTEL 2017) Previously, for years, the major labels dominated the revenue stream of (for example in Great Britain) nearly three quarters of all the music revenues and on the other hand there were roughly the same amount of radio conglomerates in Great Britain deciding what music was being played. Now, the market has been broken up into small “subcultures and niches that are serving small, really dedicated communities of music lovers” (Kot 2009, 19).

It is the generally acknowledged truth that the majority of the most popular, chart-topping artists, are with the three major record companies. Strachan (2007, 246) criticises the core of the assumption by widening the perspective to other operators: “There is an assumption that the production of popular music (or at least the production that matters) takes place in a fairly narrow range of contexts; those organizations directly or loosely connected to the three major record companies.” According to his studies, there is a “whole host of [...] hobbyist record labels and reissue imprints, collectors, fanzine writers and small-scale distributors working across a variety of genres” (Strachan 2007, 246) that have an understanding of the music industry but as a term most often referring to the major labels' operations, they have a sense of otherness towards it. In this study, the term music industry is used of the recording industry in a way that it incorporates the smaller, independent or micro-independent companies in together with the larger players, that is, the major labels.

In general, small and medium sized enterprises (SMEs) have been for decades and still remain a fruitful subject for international business and marketing as well as entrepreneurship scholars. Small, independent record labels and in particular the driving force behind them: international entrepreneurship; can be characterised as Styles and Seymour (2006, 134) define it as “the behavioural process associated with the creation and exchange of value through the identification and exploitation of opportunities that cross national borders.”

#### ***4.1.4 A look on Finland’s music industry’s state***

The Finnish music industry has gone through major remodelling in the past decades. Not only the aforementioned MP3-crises or the restructuring of the major record labels’ proportions of the sector’s sales but also the rapid evolution and subsequent possibilities that digitalisation with streaming services’ global consumption have bolstered have completely revolutionised the opportunities that artists and labels from either small countries or independent labels nowadays have. It has also been shown (Santala, Handelberg & Kiuru 2012, 22) that despite the crises the industry has faced, the markets function well in countries, where the general appreciation of music exists. In Finland this is expressed for example through the providing of vast and respected musical education. The government supports these education facilities and the music industry professionals with close to 400 million euros annually. (Santala et al. 2012, 30) In addition to that as mentioned earlier, there is support for internationalisation through the national organisation of intellectual property rights in music distribution and consumption.

As with other small markets, networks are tight and industry professionals interconnected. A multitude of small, independent labels exists and most are specialised in a rather niche segment of the field of music. (IFPI Finland) This does not, however, mean that they are operating solely in domestic markets. Internationalisation opportunities are searched and grabbed although the most typical way for labels to internationalise is the easiest way of doing so, that is, uploading content to be downloaded or streamed not only in the domestic markets but everywhere.

## **4.2 Case: Solina records**

Solina Records is a small independent record label founded in Turku, Finland in 2005. The company has two equal shareholders, that is, the founders. In terms of internationalisation, the company has been doing business on an international level and striving to enter numerous foreign markets since the very beginning of its existence. Focus has

been mostly on the markets in Europe, in particular Sweden, Denmark, Germany and Great Britain. Some attempts to enter the markets in the United States have also been made.

The label has to date released 75 different items consisting of albums, singles and special releases. Most of them are in English, although in the past two years they have signed also two artists writing and releasing songs in Finnish, both receiving critical acclaim in the Finnish market. In terms of classification to a specific genre of music, it is somewhat impossible. The company has released in its own term only quality music ranging from electronic through goth, rock, shoegaze and synth to doom metal. Cooperation with another Turku based independent record label has been practiced in terms of co-releases and help in promotion in return for aid in choosing foreign distributors.

#### **4.2.1 *Entrepreneurial alertness and systematic search of Solina Records***

At the time of the founding of the record company in 2005, it was clear for Mr. Riski that the label would operate internationally. With the state of digitalisation in the music industry at the time it did not seem impossible even for a small label and for owners who had previously no experience in releasing music. From the beginning, the founders decided on releasing only the kind of music they themselves enjoyed and would be interested in buying - *quality music* according to personal taste is the simple guideline behind the decision-making in signing new artists or bands and always a unanimous decision between the two owners.

It is, according to Riski simply a matter of chance that no Finnish language acts had been signed thus far in 2013, which would usually mean being limited to Finnish speaking audiences.

*”We do [actively] search for new artists...but of course we had in the beginning the idea that we kind of favour this local doing and the skills of Turku based artists, but we haven’t really officially decided that an artist can or can’t come from a certain place...we were even close to signing a British group, but it got too complicated – the whole signing process – so that we decided to give it up...there is a law in Britain that ...especially when it comes to copyright agreements, a [British] lawyer has to look the contract through...and the record label pays the cost...we have had two Finnish language records [philanthropy singles] released, but they were never really targeted to foreign markets...I guess, unconsciously, you just don’t find the [Finnish] songs to be worth releasing”*

Thus, there is a clear striving to international markets and has been since the beginning. Entrepreneurial alertness and systematic search for opportunities are both clear in the company's way of acting. For example, changes in the marketplace have been investigated and through them opportunities recognised and evaluated since the beginning. As stated before, the signing of a British group with music perceived potential for success and even more importantly the kind that stroke both owners as quality music, was halted only due to possible extensive legal costs due to the British legislation on copyrights. This action was taken due to careful evaluation of the short term and long term costs and profits possibly gained from this signing. Another such example is both systematic search for potential partners used in foreign market entry and the alertness and active responding to proposition for cooperation that come from foreign market operators such as promotion agents, who have either discovered the label's music themselves or been referred to by an [common] acquaintance.

Solina Records' international opportunity recognition has been the responsibility and result of a single entrepreneur's enthusiasm, hard work and continued systematic search of opening possibilities and opportunities. Riski is in charge of the company's marketing, promotion, distribution and financing choices as well as those concerning design, planning, production and, in his own words:

*“the entire process from the signing to releasing of the record and thereafter its marketing, promotion, distribution and visibility up until the life cycle of the record ends...and we believe it will be a classic”.*

Entrepreneurial alertness leading to international opportunity recognition can be a fast track for SMEs as they are usually seen as agile, dynamic and flexible companies, where the decision making process can be very fast due to the sheer small size of the company. In the case of Solina Records, all other decisions save the initial signing of an artist are in the hands of one entrepreneur, who is self taught in the business. Riski claims to have learned through different literature and material he has found on the business and also through trial and error and his own enthusiasm. Internationalisation, however, is not a process in which one has to do everything independently. Through careful selection of target markets and minor market research, Solina records' Riski has identified the best way to penetrate the markets to be through distributors and local public relations companies or agencies in the target market. These promoters are not to be confused with individuals or companies that offer their services in organising live performances or tours – as live shows are not in the interest of this study, with the exception of so called showcase performances - PR-companies shall from here on be referred to as promoters.

For an independent record label especially from Finland this is still a very new field and not pursued by many. The fees of the promoters may seem relatively high in regard to the short time revenue, but Riski is confident in their power. It has been said on the subject: “if you don’t hire an independent promoter to push a record, it’s perceived within the industry that you’re not serious about a record” (Kot, 2009, 21).

As to the other independent labels’ actions, he says that they simply have not investigated their opportunities enough and are most certainly missing out on an eased market entry and promotional aid due to lack of alertness to market change and systematic search for them. As an independent label lacks the built in promotional and marketing functions of a major label, an opportunity to plan and carefully choose these functions through outsourcing can be seen instead of a disadvantage. The proper promotional and marketing tools can be chosen in target markets meticulously choosing to which function one desires to affect and these can be changed fast depending on results and need. An example is the noticing of growing listening and purchase of material in Ostrobothnia – the most Swedish speaking part of Finland - by a group that is comprised of both Finnish and Swedish speaking Finns. This led to recognising an international opportunity in Swedish speaking markets or Scandinavia as a whole and to hiring promotional agents to successfully push the groups music to receive radio play – also a way to receive high returns.

One of the major potential future revenue channels is that of synchronisation, that is, licencing song to be used in commercials, television series, fashion shows, movies and such. Synchronisation revenue is gained typically from a piece of music already released and the typically significant amount of compensation for the rights to it is divided equally between the label and the artist. Activeness and systematic search can both be recognised in Solina records’ approach to licencing as the company pre-clears all its back catalogues and tags them appropriately so that when approached by a licencing company, individual pieces of music are licenced effortlessly for all parties involved. Synchronisation agents have also been hired to push the company’s songs to use and are paid a proportion of the sales they achieve. Riski even points out that he has suggested his signed artists to write songs that can be of high demand in the licencing area of business, such as incorporating words that can be demanded in the lyrics by insurance companies or car brands. This he has suggested half joking, but admits that it would make licencing easier.

#### ***4.2.2 Prior knowledge and environment conditions in the case of Solina Records***

The backgrounds of the interviewed industry professionals are what counts in the matter of determining their experience knowledge and its’ application in their international

opportunity recognition. The co-owner of the company Solina Records has an academic background: a university degree in law from the local University of Turku. Since graduation, he has worked his way up through various legal and administrative positions to his current post as a CHRO at the University of Turku. In addition to the experience gathered through professional development, music industry related experience has been accumulated via multiple industry related activities such as performing and active networking through the collecting of music and musical instruments and hosting club events. Prior to the founding of the record company, Solina Records' Riski also aided in legal issues and producing and verifying contracts and other music industry related legal documents for people in his networks.

The division of prior knowledge into three different parts – *prior knowledge of the markets, prior knowledge of ways to serve markets and prior knowledge of customer needs* can be clearly identified from Solina records' actions. Even though the co-founder and acting CEO of the company stated in the interview having no or little experience of the record label and record releasing businesses prior to the founding of the company, his and also his business partner's prior combined knowledge of the markets was far from zero. Riski had had a studio and been making music, collecting instruments, playing in an internationally recognised and selling band as well as having the important prior knowledge through his business partner, who was and is a professional musician signed to a bigger label. Thus the sales customs and industry traditions were not entirely novelties to the company.

Prior knowledge of ways to serve markets is something Solina Records has gained through experiences with bigger labels, distributors and vast diverse networks in general comprising of industry professionals within a multitude of statuses. In addition to these, the enthusiasm in finding out and keeping up with the technological and legislative changes happening within and surrounding the music business is of great importance to Solina having lead to international opportunity recognition and determined some of the approaches taken especially in market choice and specific foreign markets. The present and the future state of the markets are closely watched and projected.

*”digital sales are up...Spotify especially in Sweden is huge..in Britain the sales of physical copies has declined immensely..they don't really sell vinyl and the CD-markets are bad as well...I think it will keep on declining [the sales of physical copies], but vinyl will come rushing back...vinyl presses [factories] are completely jammed at the moment and that indicates that this sort of big old physical records' sales are constantly on the rise..they make more of them and they'll sell more of them..I believe the future shall be with physical records thus, that special or differentiated releases shall always have a market and sell..the more special or*

*weird you make it, the more it will sell..and then you have the merchandise and special packaging..different versions I believe would be a great way..So that if every pressing [in different countries] is different, collectors get this urge to buy them all...and collectors are not that old but there are constantly newcomers..and this is where you need to strike [to succeed and sell physical copies]..”*

Ever since the founding of the company and the first releases, Solina has used as many formats and channels as possible. Digital downloads have always been introduced to dozens of online music service providers, out of which only iTunes and Spotify are mentioned as returning anything as profits, and from early on vinyl was there beside CD as physical representations of their releases. In addition to the aforementioned special looking or collector’s editions of releases, the visual side in general is of utmost importance to the company in supporting the sales. Especially with digital music as there is nothing physical to look at, Riski finds it important to provide some visual material to help attaching the customers to the release.

These can include promotional photos or photos from live performances, videos, merchandise, social media content of any kind or anything that suits the artist and their profile. Governmental institutions or foundations operating in Finland are approached for financial support and if received, is used to cover costs from these visual aids as well as releases in general.

Promotional companies or marketing agents have also been hired, always in the target market and carefully chosen for each artist, target market and media separately. These are found, contacted, evaluated and hired online usually with no prior relationship. Knowledge of the scene and artists in general aids in this choice as promoters are typically specialised in only a certain music genre and for example either pushing artists to radio play or online marketing or for example print media visibility. Blogs and forums concentrating on music are contacted either directly in hopes of free coverage if an artist is good enough, and in this the prior knowledge of most influential online medias for certain type of music is of essence.

### **4.2.3 Networks of Solina Records**

One of the words most repeated during the interview of Solina Records’ CEO was *networks*. He made it clear that the entire music business is in his opinion based solely on personal contacts, networking and reachability and a constant diversification and spreading out of the entrepreneur’s networks. The networks are used as source for information in general and for example in initial testing of an artist’s possibilities in a

certain foreign market as an independently and informally executed market testing or research, that is.

*“I could say that nothing is as important in this business as networks. Their build up. I would say that it took us longer back in the day than for those coming into the business now to see its importance, that it all goes around. This entire business is based on different networks and relationships, friendships and acquaintances and it really helps to get a move on things if you know people...With new projects you always gain additional networks. Like a good example would be SinCosTan and Jori [Hulkkonen], or with Burning Hearts...[new contacts within the] Finnish-Swedish culture, the gates open in a completely different way...Already when signing...I think of where this could go, and start searching for co-operators. [with Sans Parade] we did a sorts of market research prior to releasing [of the record]sending it to different places and when we knew that this market seems to like it a little more and that these here in this country are more into it than here [in Finland] that it's worth releasing there. Mostly to existing contacts but also to new ones..usually they don't answer..radio silence has been broken though if the material is interesting enough...and they even try to rob the artist for themselves...then you know you've really got something on your hands..”*

The approach of investigating possible reactions to a new artist was not used in the beginning, as there were no prior networks for this. All that was liked and perceived as quality music was released if there was enough money to publish. With the current trend of low global physical record sales, with the exceptions of Germany and Japan as markets, it has been a must to investigate the possible revenues in advance, but no music that has not been liked by both proprietors of the company, even the kind of music with predicted high revenues, has been released. The artistic integrity is of high importance.

#### **4.2.4 Personality traits and cognitions in the case of Solina Records**

In terms of internationalisation and opportunity recognition leading to it, resilience, eagerness to learn more, intelligence and networking skills can be seen as the most important personality traits in the case of Solina Records and its sole acting owner. A high education and demanding positions in various fields of business in the CEO's work history portray an ability for thorough investigation of opportunities and also, as described earlier, an ability to evaluate options prior to acting upon recognised international op-

portunities. Resilience is displayed in continuous systematic search for opportunities through writing to possible new connections, the media or social media even with a very low rate of it leading to something. It can also be seen in an atypical creative approach of life cycle prolongation of an individual release – the industry standard being several months and the Solina Records' standard being one year of active promotion and trying to achieve the earlier mentioned status of a classic to each release.

Creativity is a trait that is mentioned in literature a multitude of times and its interpretations are various. In the case of Solina Records, creativity is not necessarily seen through invention but more through synthesis as in the combination of physical records with visual aids and collectability and also through modification such as modifying an artist's promotional material, touring or merchandise to better suit the markets targeted.

All in all high intelligence and an academic education are of importance. Especially the scrutiny related to follow up analysis of market actions and the evaluation of partners chosen for internationalisation has proven essential. One particular action that differentiated from the industry standards cannot be linked to any theoretical term, but is in fact fundamental in the revenue projection of the company. In the industry in general, a record's life cycle can be highlighted as being a couple of singles leading to an album with an overall two to three months paid media presence and a tour. In the case of Solina, an album – which they do not release more than three a year – is followed up at least a year, prolonging its lifecycle and possible revenues immensely.

#### **4.2.5 *Conclusions in the case of Solina Records***

Solina Records is a record label of fairly clear vision from the beginning of its history. The company's aim has always been to pursue international operations and seek revenue from foreign markets. International opportunities have been sought systematically through a vast and diverse network obtained through personal and professional history both in and outside the industry. The company's acting CEO's professional background in an academic sector as a legal notary has enabled the company to enhance its alertness and capabilities in making contracts and dealing with them in an effective and professional way, which may not be the case for many independent record labels with single lead entrepreneurs. A very wide knowledge base of the markets and their needs and the ways in which to serve the markets is maintained and active participation in the industry's trade exhibitions is also an important tool for network building for Solina Records.

The lead entrepreneur's willingness and skills in the networking area as well as his overall scholarly intelligence and alertness to opportunities have been at the core of international opportunity recognition. Curiosity and resilience have bolstered the system-

atic search for new opportunities in terms of new artist signings, promotion company hiring and social media visibility.

### 4.3 Case: Sähkö Recordings

Sähkö Recordings is a record label founded by Tommi Grönlund in Turku, Finland in 1993 thus celebrating a quarter of a century of existence in 2018. The label is run by a sole entrepreneur, whose main profession and source of income lies in arts, installations often incorporating music or sound into them. Knowledge of the art world and its networks through this profession is imminent and active participation in the music scene from as early as the 1990s onwards in a multitude of countries even prior to the founding of the label suggests that the entrepreneur's relationships in the music scene are tight and well spread and diversified as well.

#### 4.3.1 *Entrepreneurial alertness and systematic search of Sähkö Recordings*

The choice of internationalisation for Sähkö Recordings (later: Sähkö) was a natural step to be taken according to the company's owner, Tommi Grönlund. He describes it not so much as a choice but:

*”---a natural thing, as a whole, its been always pretty much connected to the Hard Wax –record store in Berlin. --- It's a single record store. But it's the oldest record store for techno and actually the most important one. At least in the.. At least in my opinion. It's always been a watershed of some sort..”*

A way of recognising internationalisation opportunities through chance that is entrepreneurial alertness and tight networks is apparent in the case of Sähkö. This means that of the theoretical approaches to opportunity recognition in internationalisation, the company CEO treats the business as if he were starting it anew. Many ways of initialising or expanding internationalisation or exploiting an opportunity have been tried and after evaluation of profit margins and success rates, several of those have been dropped as non-successful or non-profitable approaches. Thereafter Grönlund has discovered and recognised a new opportunity and exploited it. For example, sales in France and Benelux countries had previously been supported through marketing, which was demanded or strongly suggested by the distributor, but as Grönlund perceived no real value or enhancement in sales was created, the marketing aid was abandoned as an ap-

proach. This, he says, has caused arguments between him and a colleague with whom he runs a sub-label to the record company by the name of Keys of Life.

Several distributors operating in a multitude of countries or globally have been used for internationalisation. A strong aversion to large distributors is apparent and only one such distributor has been transparent and profit generating enough to remain where as others have been let go due to lack of resources to investigate the causes for low profits and hence a lack of trust. Entrepreneurial alertness manifests itself in the ability to react to these unsatisfactory international operations through systematic search for new opportunities, that is, in this case, new distributors or through widening the foreign markets covered by a trusted distributor. Another representation of entrepreneurial alertness in the case of Sähkö is that of fast response to unsolicited inquiries. These can be approaches and orders from single foreign market record stores or print or online media.

The label has through the years received thousands of demos from artists wishing to sign with the label and again, due to lack of resources, the owner's personally desired level of systematic search and alertness for finding the possible artists with artistic value and international potential has not been met. He claims to have time to go through a tenth of what is sent to him and feels disappointed in the chances he knows he has thus lost.

#### ***4.3.2 Prior knowledge and environment conditions in the case of Sähkö Recordings***

The early background of the entrepreneur, that is, the knowledge and experiences accumulated prior to the taking up entrepreneurship, is something not yet vastly studied but suggested in research. In the case of Sähkö Recordings, the entrepreneur had been amongst the pioneers of techno and other emerging musical styles in the 1990s for example in organising events dedicated to these music styles and thus also networking with the key persons behind them. Thus, when the company was initially founded, the music scene itself was something quite familiar to Grönlund. On the other hand, the business side of it was something he had not had to familiarise himself with and this lack of knowledge has caused financial drawbacks throughout the company's history. His work history is with the arts, but the ways to profit in the fast evolving music industry are quite different.

The prior knowledge of markets and ways to serve them has always been perceived as something given by Grönlund, at least in the case of techno. He, however, has released through the years a multitude of genres of music. When considering for example the more obscure or unclassifiable genres of music, there can be seen a lack of knowledge for recognition of opportunities for internationalisation. However, the artists

composing this more obscure music are themselves fortunately aware of the markets and can act as the active and alert co-operators in the internationalisation opportunity recognition bringing their input into the process:

*“It has worked quite well, the self marketing, [of an album by Soft Focus] in that it has found its way into some blogs and then there are the certain records stores in the world, some are good for us, like Boomkat, there’s like a really good writer doing the [reviews or] introduction texts...just a short text...and I’ve noticed that many use that same text...it spreads out everywhere...and to blogs and then good reviews...and then people start asking for them...like now some reporter from BBC sent a questionnaire...it’s nice it works that way. That there’s someone that into the album that they ask for it”.*

The lack of knowledge has resulted as previously mentioned in financial losses and have caused the owner to become less trusting of any larger companies such as distributors in the business. His initial internationalisation began in the German market, through a trusted record store in Berlin, Hard Wax, the most important record store in Grönlund’s opinion in the business. The style, in which they do business and obviously, what was the first experience of internationalisation for Sähkö Recordings, was that they buy a certain amount of records to be sold and sell all the records in their store with equal efforts, ethically as Grönlund points out. Unsold copies are never returned but the business relationship is based more on mutual respect, respect of music, independent labels and fairness.

On the other hand, the first distributor Sähkö Recordings signed a contract with in Germany through a recommendation of an acquaintance, was a problem. Distributors buy records from the label based on orders from record stores – some, as the current distributor Sähkö Recordings has found, are careful in the amounts to avoid returns with interests.

*“When you sell a record and then you have to give that money back with interest and they add some sort of return fee...you can have months with 30 000 [deutch marks in sales]...and then minus 50 000...they went bankrupt then though...they had like a hundred labels owing them 100 000...”*

Now, with more transparent and feet-on-the-ground distributors Sähkö has employed, the company does not really need to know in detail the ways of serving the markets or the customer problems in the sense that the distribution company does the

entire digital distribution and keeps a back catalogue of all releases and provides monthly reports of all sales digital and physical and their geographic distribution. Due to lack of prior knowledge of the business in general and more importantly, lack of resources, these reports are not analysed and put to use in terms of international opportunity recognition.

There is, however, activeness in following the changes in the markets based on prior knowledge. The entrepreneur believes that CDs will no longer be worth making soon and that vinyl will act alongside the digital release boosting it in a sense. He also points out the recent rise in popularity of straightforward techno, which in his opinion is still best distributed through the sole most important record store he initially started with. Artists as in new signings are also searched building mainly on existing networks and on predictions as to what would succeed. Sähkö receives a vast amount of demos that are sent and have been sent throughout the history of the company, but to his regret, as Grönlund estimates he listens only to 10% of them he is sure he has missed out on potentially successful or interesting artists. This, he claims is something that a major label would have resources for.

Sähkö has been operational in three decades and as specified in the beginning of the chapter, the music industry as a business has gone through a tremendous change in this period of time alone.

### 4.3.3 *Networks in the case of Sähkö Recordings*

A different path from that of Solina Records' founder was chosen by the head of Sähkö Recordings; with no academic background and no experience in the music industry sector as a performer, he founded the label in 1993 firstly as a short term project developing late to something to be operating closely under his main line of business or livelihood: art. As a contemporary artist known for his installations and spatial art, sometimes incorporating elements of sound, he has run the record company as a side project. In the interview, upon asking of his musical background, he stated that he has not done any music at any time or that he does not want to "*call it music.. It's more like.. sound*". His active involvement both in domestic music business circles via life long tight relationships to performers, composers, collectors and other influencers and also foreign markets has kept him close to the trends and market shifts that occur within the music industry.

The relationships that have had significance for his company's internationalisation have been heterogenic: some include former domestic music business entrepreneurs who have moved to another country, some relationships have been formed in Finland with a foreign entrepreneur as the other part and some he has formed whilst traveling or

living in a foreign country. Vital experiential knowledge has been gained through these relationships as well as his at times cosmopolitan lifestyle. He is also married to someone from an entirely different cultural and linguistic background, which naturally enhances his cultural, linguistic and country experience portfolio.

His very first act of internationalisation happened through networks – tight networks of friends. His first artist to be released was Mika Vainio, who tragically deceased in 2017 and who can still be seen as the exceptional musician whose worldwide recognition was something to strive for and even to start a record label for. The networks at the core of the company's internationalisation as a whole are the first signings – Panasonic, that is Mika Vainio and Jimi Tenor, and a single record store by the name Hard Wax in Berlin. “We founded the Sähkö label together, and the label released the first recordings by both Panasonic (as they then called themselves) and Mika's Ø project. In the late 1990s, the whole Sähkö crew moved to Barcelona, first Jimi Tenor, then myself, then Mika” (Tommi Grönlund, 2017). No one except for Grönlund has been running the company even though the initial founding was with Mika Vainio, but with tight relationships or lifelong friendships with the artists he initially produced, he calls them his crew.

*“In 1993, Mika [Vainio] had these tunes, and...I had been round Hard Wax for some years... and a lot of people who worked there, like, released their own records...and it seemed so easy back then...so that I thought we should release Mika's songs...The initial idea wasn't so much to start a record label but do a project of sorts.”*

An opportunity was thus recognised through networks both domestic and foreign and perceived as something easy and worth doing for the sake of the art. Grönlund still sees his record label as an “art project of sorts” and sees its continuity as the most important aspect of its being. With a setback of earlier mentioned unsuccessful distributor choices in the late 1990s, he feels that now the time has come for more transparency in distribution and he relies even more on the old contacts with special respect for classic record stores through one of which his international distribution begun.

Networks of the acts Sähkö has signed have brought a significant amount of business and business knowledge to the company. Synchronisation revenues have been achieved for several artists through appearances in fashion shows, commercials or television series. Despite having no prior knowledge of this particular customer problem or way to serve the markets, the profits from them have lead to grabbing the opportunities recognised. They are still not systematically searched for, but due to now gained experiences, alertness in the direction of potential synchronisation deals or licencing of music is now easier to maintain.

#### 4.3.4 *Personality traits and cognitions in the case of Sähkö Recordings*

The owner of Sähkö Recordings has a background and a profession in the arts. As previously mentioned, he does installations that, very often, incorporate sound into them and he is interested in the world of sounds and the sounds forming pieces of music that he perceives as art.

*“The aura that that the album creates through its existence, like, the record, in itself, like the art... What it inflicts in the world...that it has an inherent value. It’s a media...there have always been such classical labels...that have the same angle.”*

Every record Sähkö releases is seen as an entity in the sense that it is a single work of art and its existence is created through that. This means that if a record has art value, it is not necessarily believed to have the necessity of creating revenue through sales. Its mere existence is valuable enough – an approach, which is in contrast to the very belief that companies strive to make profit and exist because of that. On the other hand, some releases have been made through creatively and intelligently recognising an opportunity in buying the rights for re-release of an existing piece of music found through networks; either straight from the label that had done the previous release or from the Finnish national broadcasting corporation Yleisradio. These have generated what one might call hits and have mostly been directed to domestic markets being Finnish language pieces of music. The revenue streams have then been used to cover the possible losses of the more artistic or less sales generating albums. This supports the theory of personality traits such as willingness and ability to act upon discovered opportunity.

Another significant personality trait of Sähkö owner is his distrust in big companies. When asked about his choices for distribution, he claims: *“they all just try to screw you”*, partly due to the problems he has faced with prior choices for distribution, that is, releasing and sending physical copies of records and receiving them as returns with demands for repaying for the unsold records with interests.

#### 4.3.5 *Conclusions in the case of Sähkö Recordings*

Sähkö Recordings is a company that has operated in the field for several decades and witnessed major changes in the music industry. The company began international operations early on through personal network relationships and the value of these tight relationships has been evident throughout the company history. Distrust towards new relationships, especially those that are perceived as big players, is emphasised and it has

lead to the preference of international opportunity recognition and new market entry through existing relationships and foreign connections rather than new distrusted ones.

Prior market knowledge of the entrepreneur has enabled several correctly timed internationalisation moves. The liberation of copyrights for old public recordings or releases has been noted and action taken on that opportunity, the changes in customer problems or perceptions of certain music styles has been noted and artists systematically searched and released to suit them or, as a unique feature, some releases have been made only for their artistic value with no anticipations for revenue and financed through the revenue of more commercially successful releases. Also, the strength of tight relationships that are both business and personal life related is at the core of international opportunity recognition.

#### **4.4 Cross-case comparison**

In both cases networks – both domestic and foreign – played a significant part in international opportunity recognition. A continuous evaluation of the relationships was undertaken in both companies, even though it presented itself quite differently in terms of timing and continuity in the evaluation activities and actions taken after evaluation. Solina records used more evaluation such as market research prior to taking action on an opportunity recognised whereas Sähkö recordings, even with a fixed suspicion towards new relationships, leapt on new opportunities once recognised. The evaluation was done after the international opportunity was taken and a result was visible – thereafter the approach or relationship for example with a distributor was kept with possibly deepening it or discontinued if results were deemed negative after evaluation of data. This late evaluation had severe negative results with a single distribution company but did not result in change of tactics on opportunity recognition but merely in a deepened distrust for new relationships. Agility and dynamics in operations of both companies were obvious for instance in the choice for promoters for Solina records' artists in desired foreign markets described by the company CEO or in the case of Sähkö recordings, the alertness to react and respond to unsolicited inquiries.

Prior knowledge also proved to be essential – the difference between the two case companies in this field is striking but both had a vast prior knowledge of the music field in terms of personal relationships. Prior knowledge through education and learned skills for finding information in Solina's case helped evaluate business opportunities considerably better and to systematically search for opportunities through preparedness for synchronisation with pre-cleared material ready to be sold if an opportunity was discovered for this. Opportunities with too big a risk or too low expected revenue were not grabbed whereas Sähkö Recordings took more into every opportunity that presented

itself, resulting in substantial losses and poor choices of partners. The survival of both companies through a time of drastic changes still on-going in the industry in terms of reorganisation of basic revenue possibilities is however evident and a general positive and enthusiastic attitude toward the future was present with both company representatives – a personality trait commonly found in entrepreneurs.

## 5 CONCLUSIONS

### 5.1 Theoretical contribution

In this chapter, the main findings with regard to the research questions are summarised and general conclusions based on the studies presented and research done in this study are described. Furthermore, the strengths, value and limitations of the study are considered and suggestions for further research presented. Two case companies have been selected to provide answers to the research questions on independent record labels' international opportunity recognition. Through interviews held with the heads of both record labels, a view of the scopes for international opportunity recognition has been gained and analysed on basis of the theoretical background on the subject with both within-case and cross-case analyses done. The material provides a clear view to the different ways for internationalising and international opportunity recognition within these companies.

The current interest to SME internationalising and especially international opportunity recognition has risen from the discovery that SMEs are what drives the global economy forward and creates new jobs. Even though opportunity recognition has been mentioned already in the 1970s, the research surrounding it has intensified in terms of the denseness of publications only during the last decade. The amount of studies published is growing, but there are still quite few researches on the subject and multiple research gaps have been presented. Also, studies have concentrated on relatively specific themes such as family SMEs, building a theory of the process of opportunity recognition with companies that are classified as born globals or international new ventures or being tied to a specific field of business such as technology.

On basis of the research done, a theoretical background is formed to study international opportunity recognition in a creative business in an industry environment that has gone through major changes in the past decades, that is, the recorded music industry. The research question posed in chapter 1 is "*How do Finnish independent record labels internationalise in the newly changed music industry environment?*" and this question is in this study approached through three sub questions: "*how has the music industry environment changed in the past decades?*", "*what are the different ways in which internationalisation opportunities are recognised by Finnish independent record labels?*" and "*How do Finnish independent record labels currently internationalise and seek revenue?*".

A careful analysis of the music industry is provided to illustrate the changes the industry has gone through. The main reason for the changes is digitalisation, which initially begun the downfall of the industry revenues. Revenues from record sales declined

for 15 consecutive years until reaching a turning point in 2016. The revenues from digital sources accounted for half of all revenues for the first time in 2013 and have remained at the same level ever since. These changes have proven to be of significance to the smaller players and record labels in the industry. The globalisation and easy accessibility to new music simultaneously in all corners of the earth with the relatively lesser initial costs to release music digitally have increased the share of independent labels' revenues in the industry. However, the major record labels, the amount of which has diminished through mergers to three still have the majority of the market revenue with their sub-labels.

Internationalisation opportunities are recognised by Finnish independent record labels *through networks formed within the industry*. Networks were emphasised in both case companies' interviews and several different forms of international opportunity recognition through networks were observed. *Entrepreneurial alertness and knowledge formation within networks* was deemed important as it is often *within* the networks that changes in or relating to legislation were noticed (Sähkö), market research was performed (Solina), and new artists found (both Sähkö and Solina).

*Prior knowledge of markets, ways to serve markets and of customer needs proved to be vital in terms of revenue creation* but due to the changes in the market, the ways in which revenue is created, must be challenged or evaluated regularly. For instance the distribution of physical records to Germany can still bring significant revenue, as the country is not only one of the largest markets for music in Europe but also an exceptional market in the sense that over half of its sales comprised of physical records even in 2016. The evaluation of opportunities was evident for both case companies, but the timing differed: Solina evaluated each opportunity rather carefully before pursuing it whereas Sähkö evaluated opportunities already pursued and only then decided upon continuing or discontinuing the international operation or relationship behind it.

The psychological distance of the foreign markets entered is somewhat tricky to evaluate as digital services enable the global presence of a release rather easily. New developing countries are joining the streaming services and with the continuously cheapening smartphones – enormous marketplaces are opening to generate streaming revenue. In terms of physical records backed up by paid promotion, the case companies pursued international opportunities mainly in Europe and the United States. This supports the theories of physical and psychological proximity as influencing factors for internationalisation as well as prior knowledge gained through traveling or living in a foreign country and consequently the relationships gained through these international activities.

## 5.2 Practical implications

Prior knowledge and networks can be seen as the most influential aspects for international opportunity recognition. Through these, also entrepreneurial alertness and systematic search can be recognised as influencing aspects as the theoretical background and prior studies led to believe. The realisation gained is that all the aspects are intertwined in real life just as they are in the theory and research done thus far: for instance, entrepreneurial alertness can be seen through the empirical data as both a personal trait of an entrepreneur and a quality gained and realised through networks consisting of both tight and weak relationships. Activeness in the formation, maintaining and periodical evaluation of network relationships is imperative or at least highly valuable in the music business for recognising international opportunities.

The participation in trade exhibitions such as showcase festivals with industry professional networking opportunities is one option for using and spreading one's existing networks. Thus, for example in entrepreneurial education emphasising one's existing relationships and network as well as encouraging to participate in networking activities should be included. Knowledge and experiences prior to the initial entrepreneurial activities have been proven to matter and should thus be taken into consideration in the organisation of education in the field. Organisations involved in supporting roles to internationalisation should also seek to widen and diversify their networks to better aid in introductions of possible partners in internationalisation.

Activeness and alertness to trends is also at the core of international opportunity recognition in internationalisation in the music industry. The field and the global market are in a constant state of change with new ways to consume and the ease of consumption enabled by ever cheapening technological innovations such as the smart phones and Wi-Fi that are spreading around the globe even to countries and continents where music consumption was previously virtually non-existent in terms of reported industry revenue. Trends also predict the way in which certain genres of music are headed and likewise can aid in the choosing of potentially lucrative artists under a label or help decide the format, formats or foreign markets in which to release a particular album.

It is, based on this research, still not very well taken into consideration that the streaming services provide an immense amount of free to use data to help analyse the success or failure factors behind music releases. Especially lead entrepreneur driven SMEs with little personnel are not able to direct enough time and – depending on the entrepreneur's personal work history and background – expertise to analyse and grab the potential opportunities arising from this data. Countries with high streaming numbers might be potential foreign markets to enter in terms of pursuing a physical record release potentially combined with bought promotional aid to help get radio play – both of which can be significant in revenue creation for an independent record label.

The networks used for knowledge building, search and alertness for opportunities and for further networking are, as discovered, crucial. The music industry was discovered in the interviews as highly relationship based, building on existing tight and trustworthy relationships. One speciality described was the intertwining of business and personal relationships. The business cannot always be separated from personal activeness or participation in the field as a consumer or music collector and enthusiast.

### **5.3 Limitations and further research**

The clear limitation of the study is the focus on but two cases. With more time at hand, more companies could have been investigated and interviewed or the companies in question could have been interviewed several times. The data gained through interviews should also be addressed with alertness, even though additional data from other sources has also been gathered, investigated and cross-referenced with the interview data. Interviewees may leave out information, exaggerate events or their outcomes, attribute positive events to their own agency and leave negative events and outcomes to external forces, their memory can not always be trusted as one is dealing with decades worth of information, that is, they may have selective memory or recall events that occurred at one time as if they occurred at another time.

Now, after several years have passed since the time of the interviews, things may have changed for the companies and their lead entrepreneurs and the age of the data can be seen as a limitation for the study. Time as a limitation is also evident in the sense that the industry under scrutiny is besides *having gone* through major changes, *still* in a state of change and more studies need to be made to ensure the present and future changes in international opportunities within the music industry are covered.

The age of both the companies and their lead entrepreneurs can also be considered as a limitation to the study: younger companies with young entrepreneurs born and raised in the digital age could have a significantly different approach to international opportunity recognition both within and outside the context of the music industry. Therefore a clear need for research can be seen in studying these younger companies with younger founders to see if other ways of internationalisation can be discovered.

Prior research has mainly been qualitative as is this study as well. The theoretical basis of international opportunity recognition is building up, but as research happens throughout several fields of research such as business, marketing and entrepreneurship to mention a few, there is a clear need for interdisciplinary research and clarification of basic terminology. Also, quantitative research with a wide sampling of companies or entrepreneurs is needed to provide backup and confirmation for the theories already presented.

The survival that is the growth of SMEs for example through international opportunity recognition and pursuing it is or at least should be in researchers' interests as they are the driving force behind the economic growth of the global economy. Interest should therefore be directed also to the evaluation of opportunities and the aid that governmental export organisations or other instances could provide to entrepreneurship students and SMEs with little prior international experience to help evaluate the risks and possibilities in the pursuit of recognised international opportunities with both survival and thriving in mind.

## 6 SUMMARY

Small and medium-sized companies represent the vast majority of all businesses globally and in terms of economic growth enablers they are justly intrigued by researchers. The growth and internationalisation of SMEs through the recognition of international opportunities is of interest in recent research in multiple disciplines and consequently of interest in this study. Due to the novelty of the research done on the subject, terminology and theories built are in a constant state of change. A multitude of qualitative studies have been and are currently being made in order to build theories and to provide both a holistic view of the field and a basis for quantitative studies to test the proposed theories.

For this research, an industry with past and on-going significant changes was chosen. The global music industry's power equilibrium has been fluctuating with the rise of small independent record labels and is consequently a subject to be placed under scrutiny. The international opportunities for the industry's SMEs in all markets have grown and through new technologies brought by the digitalisation of the industry and new ways of consumption throughout the markets, possibilities present themselves in a multitude of ways. Interestingly, very little research has been done on the independent labels that gradually take market shares away from the three major labels that at the moment comprise the grand majority of all sales in the record industry. The research question is: *How do Finnish independent record labels internationalise in the newly changed music industry environment?* The research question is approached building on the existing theory of opportunity recognition in internationalisation and through three sub questions: *How has the music industry environment changed in the past decades?*, *what are the different ways in which internationalisation opportunities are recognised by Finnish independent record labels?* and *how do Finnish independent record labels currently internationalise and seek revenue?*

As the theoretical background is fairly recently formulated, a qualitative approach was selected to gain deeper understanding of the phenomenon in question. Two case companies representing Finnish independent record labels with international operations were selected for interviewing. The factors and changes leading to the music industry's present state were examined through industry yearly reports on trends and revenue creation to establish a background. Drastic changes in revenue creation were discovered with the decline of physical record sales and the rise in streaming and digital sales revenue. Also of interest is the industry's restructuring to two opposite camps: three major labels versus independent labels. It was discovered in accordance with the theoretical implications that entrepreneurial alertness, systematic search, prior knowledge, networks and personal traits all contribute to international opportunity recognition. Their interrelatedness was imminent and networks were highlighted as the most relevant ena-

bler of international opportunity recognition in both domestic and foreign markets. As the industry is based on relationships both business and personal, it is only natural that factors such as knowledge and entrepreneurial alertness are created through these networks. Entrepreneurial alertness helped recognise international opportunities not only through networks but also through activeness in staying up to date with industry changes: for example technological changes were embraced.

The study provides an impression of the music industry's present state, the ways in which international opportunities are recognised and especially the potential within for SMEs of the industry: independent record labels. The studied Finnish independent record labels' internationalisation is found to build on prior knowledge and knowledge gained through networks, which were found incremental in internationalisation. Evaluation of opportunities recognised is most pressing for further studies as is the emphasising of entrepreneurial education within that of the music production or vice versa. The survival of the industry's SMEs lies with international opportunity recognition through all available channels – networks and distribution channels. They merely need to be recognised and the opportunities grabbed.

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## APPENDIX: INTERVIEW GUIDE

1. Background
  - a. Record company's name + founding place and time
  - b. Size
    - i. Key personnel
      1. Owners/partners
      2. Stakeholders, outside or outsourced help (agents, distributors, promoters, legal help)
        - a. Significance?
    - ii. Artists/specialising. What is the process for finding new artists? Is the search active or picking from the ones that offer themselves?
      1. Amount of signed artists (new/reissues)
      2. Music genre and language
    - iii. Amount and type of releases (LP/CD/digital..)
      1. Yearly
      2. Through the entire existence of the company
    - iv. Numbers. (turnover, profits..)
  - c. Founding/the beginning
    - i. To release own music
    - ii. Background in the business
    - iii. Personal background
2. Markets. Domestic/physically close markets/Europe/which markets
  - a. Perceptions on market situation in markets of operations
  - b. Background for choices of markets (foreign entry)
    - i. Networks/relationships/demand/anticipated demand/market research
  - c. Perceptions on the development of market situation
    - i. on a broad scale, how do you see the record industry's future (in your market area(s))
  - d. Competition? Who has done well & why
  - e. Collaborations? In promotion, releases..
3. Expertise/prior knowledge/industry ways
  - a. Who is/are in charge of marketing/how is it done/artist's share
  - b. Help asked for? (financial/consulting..) Where from? Has it helped? What/who has? Where would help have been needed but not found?
  - c. Main marketing channels & ways, old/new
    - i. Social media vs. print

- ii. Promotional CDs? Digital promotion? Radio channels? Disc jockeys? Bloggers?
    - iii. Where has marketing been done – domestic/foreign markets
    - iv. What has been helpful/has it?
    - v. Other marketing channels?
    - vi. How have things changed/evolved since the founding of the company? Facebook? Soundcloud?
  - d. How much of resources used for marketing: social media/promoters (domestic/foreign markets)
    - i. Does free promotion exist?
      - 1. Visibility in traditional media (print/TV)
      - 2. Show cases/trade shows
      - 3. Prizes/lists/blogs/forums
    - ii. “Additional marketing material” outside the core business of re-releasing records. Free songs? Music videos and their role? Youtube has pushed many artist afloat – is making videos worth it?
  - e. Is the success of marketing choices and investments evaluated
4. Sales/where does the money come from
- a. What is the division of sales efforts
    - i. Physical records
    - ii. Concerts/festivals
    - iii. Merchandise
    - iv. Licencing
    - v. Other
  - b. How much is each area valued + how much is invested in it
  - c. How is the work divided
    - i. Artists’ efforts & networks
    - ii. Owners’ efforts & networks
    - iii. Outside/outsourced work (agents, managers, publishers, promoters)
    - iv. Governmental organisations/help
5. Experiences
- a. A single event/artist/marketing choice that has been exceptionally successful in terms of international marketing or sales
  - b. What could have been done differently
  - c. Main obstacles for internationalisation: lack of financial/network foundations/market situation.