Understanding the Resource-Based View:
Implications of Methodological Choice and a New Creative Context

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Statement of Sources

I declare that the work presented in this thesis is entirely original and my own work, except as acknowledged in the text, and that the material has not been submitted, either in whole or part, for a degree at this or any other university.

Signature: ____________________________ Date: __________________
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Abstract

Over the past two decades, the resource-based view of the firm (RBV) has emerged as one of the more influential paradigms from the field of strategic management. However, the theory has been subjected to a number of criticisms, particularly related to the use of methodologies in past research. Many RBV studies have tended to use averaged findings across broad industry samples. Approaches reliant on “averaging” methods will only uncover what is the case for the average, “representative” firm, and will not identify those unique, firm-specific assets that can result in sustained profitability.

In order to examine the implications of methodological choice and the RBV, the subjective approach of Q methodology was used in a sample of music industry firms to identify a key resource set for the context of interest, identify strategic groups within the sample based on resource emphasis, and explore the ways in which managers use their resources to generate firm profits. A comparative approach examined resource outcomes by performance group, over multiple levels of analysis.

The findings revealed (i) a number of relevant and new, context-specific resources from the music industry, (ii) the identification of three distinct clusters of firms that emerged from the sample based on resource preferences, firm characteristics, and managerial perceptions (iii) key resource findings that varied by level of analysis and by firm performance, and (iv) distinct processes through which the resources become valuable at the level of the firm—even when the same resources are considered.
The outcomes of this thesis illustrate how methodological choice can affect findings when using the RBV to uncover important sources of advantage. Furthermore, the outcomes in this thesis point to the weaknesses of many past RBV studies that investigate the impact of resources and capabilities on firm performance, and remind scholars that a defining feature of the RBV is that its intention was to identify sources of advantage at the level of the firm. Moreover, the findings show that past RBV research using aggregated data across multi-industry samples can be misleading in its prescription to managers.
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1. INTRODUCTION

1.1 Background to the Research

Strategic management has seen the proliferation of new theories of the firm over the past few decades. From this assembly, the resource-based view of the firm (henceforth known as the RBV) has emerged distinctly as one of the more influential paradigms within which to understand organisational activities and their competitive strategies. The central focus of the RBV is on the resources and capabilities controlled by a firm that underlie persistent performance differences among firms (Peteraf & Barney, 2003). This internal perspective is in distinct contrast to models such as the industrial organisational (I/O) paradigm, the external focus of which emphasises the industries and markets in which firms operate.

The advent of the RBV was embraced by scholars since it deals directly with their central interest: the internal capabilities of the firm. Firm resources are its assets and strengths such as information or organisational processes that are controlled by a firm, enabling it to plan and implement strategies that improve its organisational efficiency (Barney, 1991). Resources are thought to be the ultimate source for establishing and sustaining a competitive advantage, provided they meet the criteria of possessing value, in that the resource must exploit opportunities or neutralise threats from competitors. The resource must also be rare among the firms’ competitors, and imperfectly imitable in that it is resistant to duplication. Finally, the resource must not have substitutes (Barney, 1991).
The theory outlines two assumptions. First, it is maintained that there are systematic differences across firms within an industry with respect to the resources they control (Barney, 1991). This is the assumption of firm resource heterogeneity. Second, it is maintained that resources are relatively stable across firms such that heterogeneity can be enduring (Barney, 1991). This is the assumption of resource immobility.

1.1.1 Introduction to the Research Problem

Despite the enthusiasm with which the theory has been embraced, it has increasingly been subjected to various criticisms. Recent RBV scholarship has acknowledged that RBV research has tended to focus on the macro phenomena averaged over broad industry samples (Rouse & Daellenbach, 1999). However, approaches reliant on “averaging” methods seem inconsistent with the main tenets of the RBV such as resource heterogeneity which directs researchers to uncover the unique, firm-specific assets that can result in sustained profitability; not tailor research to uncover what is the case for the average, “representative” firm (Aharoni, 1993).

Thus, past RBV research designed to uncover group averages instead of idiosyncratic assets has been unable to glean more than a rudimentary understanding of the specific resource sets applicable to various industries and firms. Moreover, the specific managerial processes through which resources become valuable have been largely neglected (e.g., Barney, 2001a; Lynch, 2000), despite researchers acknowledging that it is the management of resources and skills that is key to firm competitiveness and not merely the resources themselves (Aaker, 1989). The current thesis aims to address these limitations by using a unique research design in order to
theoretically develop the RBV and potentially provide a more useful and practical theory of the firm.

1.1.2 Research Overview

The disregard of process issues in RBV research has prompted many scholars to argue that the RBV is very much a developing paradigm that requires further work to establish itself as a practical and useful theory of the firm (e.g., McWilliams & Smart, 1995) Researchers suggest that the RBV be augmented by a consideration of the business processes through which resources become valuable (e.g., Foss, 1998; Ray, Barney, & Muhanna, 2004). While much of the RBV literature makes reference to the value of some resources, there has been little effort to establish empirically what, how, and why these resources influence firm competitiveness (Miller & Shamsie, 1996).

One reason why process issues have been neglected in RBV research is due to the methodology employed in many RBV studies. Scholars argue that large-scale, multi-industry samples using generic resource sets will do little to tease out the unique and hard-to-copy resources that are at the heart of competitive advantage (Hitt, Gimeno, & Hoskisson, 1998; Rouse & Daellenbach, 1999). In addition, Amit and Schoemaker (1993) suggest the importance of using single industry studies in RBV research because the strategic value of resources can be industry-specific. Similarly, Barney (1991, p. 103) observes, “resources in a previous setting may be weaknesses, or simply irrelevant in a new industry setting”. The current thesis uses a single industry setting in which to theoretically develop the RBV and generate a relevant resource set from our context of interest.
To understand the process of how resources become valuable requires understanding how resources are managed. Such information is unlikely to be found across broad industry samples since managers are engaged in identifying, developing, and exploiting resources at the level of the firm (Rouse & Daellenbach, 1999). Therefore, in addition to using a single-industry study, the current thesis moves towards a more in-depth analysis by exploring the key resources and activities of managers at the more micro levels of industry analysis and comparing those findings.

For example, Rouse and Daellenbach (1999) argue that clustering firms according to similarities is an important step in RBV research, because the commonalities identified between firms within a single industry can better allow sources of advantage to be teased out. The authors then propose seeking out firm-level sources of advantage, since it is at the level of the firm where the unique features of the resources and managerial capabilities can best be examined. The authors note that a focus on particularly the high-performance firms can best uncover important sources of advantage.

Thus, the current research identifies the key resources in a specific industry setting, identifies clusters of firms within this context, then examines the managerial processes at the level of the firm in order to overcome the past limitations of using broad industry samples in RBV research. Performance differences between firms are also considered. A multiple-level resource analysis at the industry, cluster and firm level promotes a comparative approach to understanding how methodological choice can affect findings when using the RBV.
In order to facilitate theory building and explore resource findings at each level of industry, it is necessary to use a research program different from the large-scale statistical studies that have commonly been used in RBV research. Such studies to date have not been adequate for investigating in-depth, the managerial processes that are at the root of superior performance. Barney, Wright, and Ketchen (2001, p. 637) suggest that the development of the RBV can be enhanced by research using both qualitative and quantitative approaches, and by stepping “beyond methods with which we are comfortable and confident”.

The current thesis addresses the past limitations of RBV research by using the subjective approach of Q methodology to tease out the process issues that have been largely neglected in RBV research. This mixed-method approach pulls together opinions, subjective meanings, and factor methodology to understand, rather than explain, phenomena (Brown, 1980). The method has been commonly used in a number of disciplines to generate rich and systematic data stemming from complex issues. The approach can permit the identification of manager groups with distinct resource preferences so that the context of actions from our manager sample can be better understood (Brown, Durning, & Selden, 1999).

Thus far, it has been established that a single industry is the most appropriate context in which to extend the RBV. It has also been recognised that a multi-level industry analysis considering firm performance can foster a comparative approach of resource emphasis that can be useful in exploring the impact of methodological choice and the RVB. In order to achieve this, Q methodology was proposed, since the robust
approach is ideally suited to uncovering the managerial processes that are at the root of superior firm performance. A further proposition involves the selection of a different industry type than has previously been used in RBV empirical research, as outlined next.

1.1.3 The RBV in a New Context

The vast majority of resource studies have used samples comprised of what Caves (2000a) describes as “humdrum industries”. Humdrum industries are those more traditional firms that have driven what is commonly referred to as the industrial economy. Included in this ambit are financial institutions, factories, manufacturing plants, and more generally those traditional firms that sit outside of the creative arts.

More recently, scholars have argued that certain changes in the economy, such as globalisation, digitalisation, the surge of intellectual property, and the growing importance of the “knowledge” worker and their creativity, have meant that a new kind of economy is superseding the industrial economy: the creative or the cultural economy (Scott, 1997; Tepper, 2002).

Research into the management of creative industry sectors is a timely pursuit, since the problems and issues they face “are becoming increasingly relevant to a broad cross section of managers across a wide range of industry contexts” (Lampel, Lant, & Shamsie, 2000, p. 264). In addition, more than 50% of consumer spending is currently concentrated in the creative industries in the G7 countries, thus suggesting the magnitude of how consumption is driving the post-industrial economies (Cunningham, in press; Ryan, 2003).
The most important resources in the creative economy are largely the intangible resources, such as the ideas, talent, and creative capacities of the workforce (Castells, 2001; Robinson, 2001). RBV studies have acknowledged the particular value of intangible resources, since they are the only kind of resources potentially capable of meeting the resource-based criteria of being valuable, rare, and costly to imitate (Michalisin, Kline, & Smith, 2000).

The creative industries provide a distinct context in which to theoretically develop the RBV due to their unique properties and reliance on certain intangible resources that distinguish them from traditional firms. For example, Lampel et al., (2000, p. 265) argue that tacit knowledge is more important in cultural industries than traditional industries, and that “talent, creativity, and innovation are the resources that are crucial to success”. The authors contend that such resources are “amorphous” in that they are difficult to define, can emerge unexpectedly, and are not understood clearly.

The current thesis uses a subset of the creative industries, the music industry, in which to theoretically augment and explore the main prescriptions of the RBV. The concept of an emerging cultural economy suggests that certain intangible resources may be taking on an increasing relevance and importance in even more traditional organisational types. Indeed, scholars have argued that an academic focus on realms within the creative industries provides a useful way to commence examining this new economy (Healy, 2002).
1.2 Research Objectives

Based on the issues identified in the preceding section, the current study aims to identify the key resources of the music industry and understand how managers apply these resources. Importantly, resource outcomes are linked with aspects of profitability and findings are considered across different levels of analysis. More specifically, the research objectives are as follows:

1. To identify the key resources and capabilities from a single-industry sample of music industry firms.

Researchers (e.g., Barney, 1991; Rouse & Daellenbach, 1999; Rumelt, 1984; Whetton, 1989) argue that identifying key resources from single-industry contexts is important for RBV research, since resources can be industry-specific.

2. To identify the most emphasised resources across the aggregated range of the industry sample, as based on performance.

Scholars (e.g., Rouse & Daellenbach, 1999) contend that it is pertinent to identify firms’ key resource sets, particularly from high-performance firms, in order to ascertain potential sources of advantage. Determining the key resource set across the single-industry sample is the first level of the multi-level analysis explored in this thesis.
3a. To examine the extent to which firms from a single industry can be clustered according to resource emphasis.

Researchers (e.g., Rouse & Daellenbach, 1999) posit that grouping firms based on certain commonalities is an important agenda for RBV research, otherwise efforts to pinpoint sources of advantage can be confused and confounded. An exploration into resource emphasis at the cluster level is the second level of the multi-level analysis examined in this thesis.

3b. To characterise the cluster(s) of firms from within a single industry context that select similar key resource sets.

Characterising the distinct cluster types within an industry can reveal differences between clusters that are otherwise not noted in academic research (Reger & Huff, 1993; Rouse & Daellenbach, 1999).

3c. To identify the key resource sets chosen by firms within the cluster(s), as based on performance.

Research from Carmeli (2001) found that key resource sets differed in firms, as based on firm performance. The current thesis aims to explore the distinct resource sets found in both high- and low-performance firms, although it is particularly the high-performance firms to which this thesis looks for sources of advantage (Rouse & Daellenbach, 1999).
4. To compare the outcome of resource emphasis across the industry and cluster levels of analysis in high- and low- performance firms.

To compare resource emphasis across the various levels of industry is important because it can inform the effects of methodological choice and the RBV. The main tenets of the RBV regarding heterogeneity and resource criteria (VRIO) can challenge the findings of earlier RBV studies that have relied solely on outcomes averaged across mixed-industry and/or aggregated samples.

5a. To identify the firm-specific key resources from across the industry sample that meet the criteria necessary to be strategic assets.

This firm-level analysis is part of the third and final level of analysis examined in this thesis. Firm-specific resources assessed in terms of their “value” and “rarity” can pinpoint resources capable of conveying a temporary or sustained competitive advantage in firms (Barney, 1991).

5b. To identify the overlapping key resources chosen by high-performing firms from within the cluster(s).

A firm-level approach to analysing key resource sets from within the cluster(s) is also a part of the third level of analysis explored in this thesis. Key resource findings at the firm level can show whether the “averaging” methods used to identify key resource sets at the more macro levels of analysis are concealing some of the variability that may only be apparent at the more micro level of the firm.
5c. To examine the distinct ways in which key resources that are common to some high-performing firms within the cluster(s) are understood and used by firms.

Scholars (e.g., Peteraf & Barney, 2003; Fahy, 2000) argue that RBV research needs to refocus on the dynamics of managerial processes that are central to building and sustaining a competitive advantage. What managers do at the level of the firm, and why and how they do it, are central questions for strategy research.

1.3 Methodology

The exploratory nature of the current thesis called for an approach capable of discovering and understanding the basic empirical concepts in a new context, particularly one heavily reliant on intangible resources. It also needed a methodology capable of identifying an industry-specific resource set and identifying commonalities in resource emphasis amongst the sample of firms. The present thesis further required an approach robust and dynamic enough to allow resource emphasis to be compared meaningfully across industry levels, and one which could inform complex managerial processes at the level of the firm.

Past RBV research using large-scale statistical studies, particularly across mixed industries, are not geared towards teasing out those unique, valuable, and hard-to-copy resources and capabilities most likely to contribute to a competitive advantage (e.g., Rouse & Daellenbach, 1999). Many RBV scholars have acknowledged the benefits of combining qualitative and quantitative methodologies in strategy research.
and/or using “non-traditional” research designs, as they can be valuable for both theory generation and theory testing (Barney et al., 2001; Hitt, Gimeno, & Hoskison, 1998).

In order to address the research aims in this thesis, the qualitative and quantitative approach of Q methodology (Stephenson, 1953) is used. This systematic and structured methodology can be used to unveil the richness and complexity of manager viewpoints (Brown et al., 1999). Through Q methodology, the researcher can explore the similarities and differences in how meanings are patterned by the way respondents first identify, then sort a number of firm resources according to a condition of instruction. The method uses the statistical techniques of correlation and factor analysis to systematically examine the range of responses held by a group of people.

The emergence of several factors in analysis evidences the different perspectives of the sample respondents; those persons who load positively on a given factor are therefore assumed to share commonalities in resource emphasis in their firms and potentially other given factors such as demographic correlates.

The method further uses the interview process to not only identify key resources in the first instance, but also contextualise and support the responses generated from the Q sort procedure. Thick descriptions can emerge during the interviews that relate to how managers understand and ascribe meaning to the activities and processes they employ at the level of the firm in order to maximise the potential of their firms’ key resources.
Q methodology is an established methodological approach, particularly in the areas of public administration, political science, communication, and the health and social sciences where the understanding of complex, intangible properties and subsequent decision-making necessitates such an approach capable of providing insights not available through other methods (Brown, 1980). Q method has assisted researchers, public administrators, and health professionals in obtaining rich insights into complex issues by identifying groups with conflicting values, preferences, and opinions in order to understand a range of complex phenomena. More recently, there have been increasing publications using Q methodology in various organisational and management journals. The dual nature of Q methodology is ideally suited to address the research aims proposed in this study and offers a new way forward for RBV research.

1.4 Outline of Thesis

This chapter has provided an overview of the intended study and presented the five research aims that guide this research. Chapter 2 presents the literature review so that it situates the research aims in a broader context. The history, development, main trends, and limitations of the RBV are delineated, then the chapter concludes with the introduction of the context in which the theory is used.

Chapter 3 sets out the methodology used in the undertaking of this research. A rationale for the use of Q methodology is presented, then the methodology is linked to the research aims from the two stages of the research. Chapter 4 presents the findings from Stage 1 of the study that reveal an industry specific resource set.
Chapters 5 and 6 present the findings from Stage 2 of the study that identifies resource emphasis across different levels of analysis, and by performance. Chapter 7 includes a discussion of the results, and relates these findings to the body of literature to which they will develop. Implications and limitations of the research will be discussed, followed by suggestions for future research using the RBV.
2. THE RESOURCE-BASED VIEW

2.1 Introduction and Overview

Chapter 1 provided an overview of the current thesis and posed five general research aims that pertained to identifying an industry-specific resource set, examining cluster groups within a single industry, exploring the firm-level processes through which the resources become valuable, and comparing resource emphasis across multiple levels of analysis. The research aims have been formulated in accordance with gaps in the resource-based literature.

The purpose of this chapter is to present the literature review so that it situates the research aims in a broader context. The chapter will commence with the history and the development of the RBV, then outline the theory’s terminology and main trends that will locate this thesis in the vast body of empirical literature associated with resource-based works. The importance of intangible resources will be outlined, followed by a discussion of certain intangible resource literature that provided directions for this thesis. The increasing scholarly debate pointing to the limitations of the theory will be followed by an introduction to the new context in which this study will be conducted. Finally, an overview of the research agenda and implications of the research will be presented.

A main agenda of this chapter is to not only locate the aims of this thesis in a broader context, but also to discuss the shortcomings of the RBV, as reasoned by recent scholarship. Most criticisms relate to the neglect of process issues in the literature. Which resources do managers identify as key in their industry and why is that? How
do they apply those resources in order to maximise firm profitability? Such questions have yet to be a main focus in RBV research. However, part of the blame for this has been directed at the types of methodologies used in past RBV research that struggle to tease out those rare, valuable, and costly-to-imitate resources that are capable of being strategic assets. However, prior to a discussion of the limitations of the theory, the following section outlines the history of the RBV, in particular, by drawing on its precursors that shaped its main assumptions.

2.2 The Precursors to the RBV

The RBV is characterised by a fragmented process of development (Fahy, 2000) that has seen various authors from a number of different disciplines contribute to its growth. The RBV encompasses principles from several major research streams including the organisational economics paradigm, mainstream strategy research, and industrial organisational thought (Mahoney & Pandian, 1992).

Despite the varied positioning of early resource-based contributions, each focussed on the distinctive resource profiles of heterogeneous firms and the question of why some firms consistently outperform others. A portion of the most important of the research to shape resource-based thought is rooted in the early research on distinctive competencies, Ricardian economics, and the theory of firm growth proposed by Penrose (1959), since concepts from that historical research influenced the fundamental assumptions of the model (Barney, 2002). Next, a brief outline of these early influences is presented.
2.2.1 Traditional Research on Distinctive Firm Competencies

Distinctive competencies are firm attributes that allow it to compete more efficiently and successfully than other firms (Hitt & Ireland, 1985). In his sociological exposition, Selznick (1957) described values and leadership capabilities as “distinctive competencies” that can be leveraged by the firm. Selznick primarily focussed on the importance of senior-level managers as visionaries and institutional builders, rather than merely decision-makers. While he did not explore other firm resources or test the performance implications of leadership, Selznick reasoned that leadership may be an important source of competitive advantage (Barney & Arikan, 2001).

2.2.2 Ricardian Economics

The early influence of Ricardian economics on the RBV was in contrast to other historical influences of the theory that tended to identify the role of managers and leadership capabilities as potential sources of competitive advantage (Barney & Arikan, 2001). The Ricardian perspective (Ricardo, 1817) instead focussed on the economics of land, arguing that rents can be achieved by possessing valuable resources that are scarce, immobile, and likely to persist in equilibrium. Resources thought to yield Ricardian rents included land rights, the benefits of a prime location, patents, and copyrights.

The main mechanism by which Ricardian rents can be accrued is by superior resource-picking skills that discern between potentially profitable and unprofitable resources (Makadok, 2001). The implications of this static equilibrium perspective is that the method by which economic rents are generated takes place before the firm
comes into possession of the resource, and the rents generated are often long term. Barney (2001b, p. 645) observes that “The RBV is simply an extension of Ricardian economics but with the assertion that many more factors – besides land – are inelastic in supply”.

### 2.2.3 The Theory of Firm Growth

Penrose (1959) provided what many strategy scholars consider to be the intellectual foundation upon which the modern RBV rests. In her book, *The Theory of the Growth of the Firm*, Penrose viewed the firm as a pool of interchangeable resources that are organised within an administrative framework. She recognised the importance of individuals’ behaviour and learning as important functions in the firms’ growth process, and identified managerial limitations as a main constraint to firms’ growth rate (Rugman & Verbeke, 2002). Penrose understood that her perspective was in contrast to the neoclassical theory of the firm where there is “no notion of an internal process of development leading to cumulative movements in any one direction” (Penrose, 1959, p. 1). For Penrose, much of her understanding of firm profitability rested with disequilibrium-oriented concepts such as entrepreneurship, learning, flexibility, and change. Importantly, a major emphasis of *The Theory of the Growth of the Firm* rested in the link between resource application and revenue creation, as opposed to a focus solely on resource possession (Foss, 1997b).

It can be seen that the precursors to resource-based thought stemmed from various research streams espousing sometimes very distinct principles. However, the common thread amongst these literatures is a focus on the distinctive resource
profiles of heterogeneous firms and the question of why some firms consistently outperform others. The next section examines the genesis of the RBV of the firm as it is known today and links the assumptions of the model with the principles stemming from the history of the perspective.

2.3 The Emergence of the RBV

The onset of modern resource-based thought developed out of dialogues between various economists and strategy scholars around the 1980s, many of whom were from UCLA (Foss, 1997a). The discussions were prompted by the growing dissatisfaction with the prominent industrial organisational model of strategy (e.g., Porter, 1980) that suggested a firm’s profitability was determined solely by its external environment. A number of important works stemmed from these exchanges, including a paper from Lippman and Rumelt (1982) that introduced the concept of “uncertain imitability” to explain the origin and persistence of inter-firm differences in efficiency.

Lippman and Rumelt (1982) explained that uncertain imitability resulted primarily from ambiguities in the causal connections between actions and superior performance. The authors constructed models showing how the heterogeneous differences across firms can provide opportunities to generate significant rents. In addition, they stressed how factor immobility could result from enforceable rights to the exclusive use of a resource, such as a patent on an invention. These findings were counterintuitive to classical theory that acknowledged the influences of market power and scale economies to explain inter-firm differences in performance.
Wernerfeldt (1984) was another of the early researchers to move beyond traditional thought and suggest a link between firms’ resources and competitive advantage. His influential article in which he coined the term “resource-based view” was awarded the *Strategic Management Journal* best paper prize in 1984 for its “truly seminal” contribution (Fahy, 2000). In this paper, Wernerfeldt viewed firms in terms of their resources rather than in terms of their product markets and developed economic tools for examining and managing the relationship between firms’ resources and profitability. Wernerfeldt proposed ways in which firms could use certain tools to highlight various strategic options resulting from the resource-based view.

Rumelt (1984) and Barney (1986) were among some of the researchers to extend the work of Wernerfeldt (1984) by focussing on the analysis of firms’ internal resources and their link to competitive advantage. The contribution from Rumelt (1984) outlined a strategic theory of the firm, wherein its “isolating mechanisms” such as unique resources, reputation, and image are potential, stable sources (ex post) of rent that limit competition by entry and imitation. According to Barney and Arikan (2001), the contribution from Rumelt (1984) contained many of the ideas that later were encapsulated by the RBV including the definition of firms as bundles of productive resources that vary in value depending on the context in which the resources are utilised.

In Barney’s (1986) contribution, “strategic factor markets” were introduced as those markets in which necessary firm resources are bought and sold. Recognising that strategic factor markets are imperfect, Barney proposed that above-normal returns can be earned by firms that are “lucky”, or have superior insights into the value of a
particular strategy, and who acquire resources at a lower price than their discounted net present value in order to be a source of rent.

The paper from Dierickx and Cool (1989) responded to Barney’s (1986) assumption that all necessary strategic resources can be bought and sold by arguing that strategic assets such as firm reputation, trust, and customer loyalty can only be built and accumulated within the firm, not within strategic factor markets. The authors further outlined the importance of strategic assets that are inimitable and non-substitutable, and advanced various factors that influence the imitability of firm assets.

The later contribution from Barney (1991) extended the ideas regarding resource attributes from Dierickx and Cool (1989) to develop the RBV into a more comprehensive framework that proposed the necessary indicators for firm resources to generate a “competitive advantage”. Competitive advantage was understood as “the higher levels of performance that accrue to a firm with resource advantages… due to the efficiency of these firms in exploiting those advantages” (Barney, 1991, p. 116).

The attributes of the “VRIN” framework included value, in that the resource must exploit opportunities or neutralise threats from competitors. In addition, the resource must be rare among the firms’ competitors, in that the valuable resource cannot be possessed by large numbers of competing firms. The resource must further be imperfectly imitable in that it is resistant to duplication by competing firms. Finally, the resource must not have substitutes in that strategically equivalent resources cannot be common amongst other firm competitors or easily imitated. Thus, firms
can attain a short-term or sustained competitive advantage by using resources meeting the VRIN criteria and by engaging in activities that improve their efficiency or effectiveness in ways that competing organisations are not (Barney, 1991). Barney (1991) argued that only valuable resources that are rare and inimitable could explain variation in performance differences across competing firms. Barney also proposed that the inimitability of a resource arises from isolating mechanisms such as firm specificity, social complexity, and causal ambiguity.

Barney’s (1991) paper further outlined two assumptions of the model. Drawing on the early literature from Penrose (1959), it is maintained that there are systematic differences across firms within an industry with respect to the resources they control. This is the assumption of firm resource heterogeneity. Second, building on literature from Selznick (1957) and Ricardo (1817), it is assumed that resources are relatively stable across firms such that heterogeneity can be enduring. This is the assumption of resource immobility. The model from Barney (1991) also categorised resources into different types of capital, namely physical capital (e.g., property, physical technologies), human capital (e.g., know-how and experience of employees), and organisational capital (e.g., organisational culture, property rights).

Perhaps in response to authors such as Black and Boal (1994) who argued that the dynamics of resource creation had been overlooked in the RBV, Barney (1997) modified the VRIN framework (1991) to become the “VRIO” framework, which included a focus on a firm’s organisational processes. Barney reiterated that a firm’s potential to attain a competitive advantage depends on the value, rarity, and imitability of its resources and capabilities. Non-substitutability was reasoned to be a
form of “inimitability”, so was not referred to explicitly in this framework. However, Barney (1997) added that in order for a firm to realise this potential, it must be organised in such a way that it can exploit its resources and capabilities. Examples of firm components that can affect its exploitation of resources might include a firm’s formal reporting structure or its compensation policies (Barney, 2002). Barney (1995) referred to such resources as “complementary resources” because of their limited capacity to generate a competitive advantage in isolation.

Concurrent with Barney’s (1997) inclusion of organisational process in the framework of the RBV, an influential paper from Teece, Pisano, and Shuen (1997) drew on the some of the historical contributors to the RBV (e.g., Nelson & Winter, 1982; Penrose, 1959) in proposing their process-oriented “dynamic capabilities” approach. The author’s framework was used to “identify the dimensions of firm-specific capabilities… and to explain how combinations of competences and resources can be developed, deployed, and protected” in environments of rapid technological change (Teece et al., 1997, p. 510). With a focus on identifying and organising the technological, organisational, and managerial processes of the firm, the dynamic capabilities approach proposed by Teece et al. (1997) did much to influence subsequent resource-based thought.

Foss (1998, p. 143), for example, highlighted how “it is not really the individual resources, but rather the way resources are clustered and how they interact that is important to competitive advantage”. Foss (1998) contended that the “clustering and interplay” of resources suggests that the “uniqueness” or “rarity” of a resource may not matter so much as the resource’s ability to fit into a system. Contemporary
resource-based works have maintained an interest in the dynamics of resource use, particularly with respect to the notion of “resource bundles” or “linkages” and how to better understand them (e.g., Ensign, 2004; Gibbert, 2006; Lampel & Shamsie, 2003; Rouse & Daellenbach, 2002). However, a recent assessment of resource-based articles has shown that empirical research examining the dynamics of resource use is still in its infancy (Newbert, 2007).

These examples of seminal resource-based works are marked by their shared assumptions, not their differences in application (Barney, 2001b). All evidence the basic principles of resource-based logic in that they develop a theory of firm profitability based on the shared assumptions that resources and capabilities can be heterogeneously distributed across firms, and that these differences can be enduring. The next section outlines how the theory has been used so far in strategy research.

2.4 Empirical Contributions from the RBV

Empirical tests using resource-based logic have been conducted across a diverse assortment of academic literatures (Barney & Arikan, 2001). This section aims to situate the current thesis in this diverse body of work by first exploring the terminology associated with resource-based theory. Subsequent sections examine two recent articles from Barney and Arikan (2001) and Newbert (2007) that classify previous resource-based literature. From these authors’ classifications of RBV empirical contributions, the area of research most relevant to the current thesis is identified. Finally, a rationale for the focus on intangible resources is presented before exploring two key research articles that provide important directions for this thesis.
2.4.1 Terminology and the RBV

Acedo, Barroso, and Galan (2006) recently illustrated the development and the wide dissemination of the RBV among leading management-oriented journals. The authors found that despite its early economic roots, the RBV originated and developed primarily in the fields of general and strategic management and expanded in three fields of management: marketing, organisational studies, and production operation and management (POM). The broad literature base evidencing different streams of resource-based thought point to differences in how the RBV is referred to and understood.

Many scholars agree that the RBV is subject to much terminological confusion as little consensus exists with respect to which terms should be used to describe the theory itself (Acedo et al., 2006) or its organisational attributes (Foss, 1997; Lynch, 2000; Thomas & Pollock, 1999). Research that understands resources and capabilities as potential sources of advantage have been labelled “theory”, “view”, “perspective”, “approach” and so forth, depending on the author’s perception of the RBV’s scientific status, or lack thereof (Acedo et al., 2006).

The distinctions in terminology point to the different ways of understanding the various resources possessed by a firm. However, Barney and Arikan (2001) argue that the offshoot of different resource terminology is that scholars who have developed new terms to describe firm resources have often regarded their work as a new theory of firm profitability. Accordingly, there are individual theories of superior firm performance based on “resources”, “competences”, “capabilities”,...
“dynamic capabilities”, “activities”, “asymmetries”, and even “knowledge” which many authors cite as the most important resource and therefore worthy of its own theory. However, Barney and Arikan (2001) posit that in a practical sense, the differences between theories are subtle. The authors assert that despite each theory’s unique characterisation of resources, they share the same basic theoretical structure in that they focus on the key assets of a firm and the necessary conditions needed for those resources to generate persistent returns.

Detailed next are the various classifications of resource-based works from Barney and Arikan (2001) and Newbert (2007). These contributions are important as they situate the present thesis within the various ambits of resource-based literature.

2.4.2 Review of Past RBV Research from Barney and Arikan (2001)

Barney and Arikan (2001) assert that empirical tests using resource-based logic have been conducted in various academic literatures, from Strategic Management, Human Resources, Marketing, Entrepreneurship, Technology and Innovation Management, amongst others.

Despite its broad literature base, the authors acknowledged that it is within the discipline of Strategic Management that theorists have conducted the most empirical tests using resource-based logic. The varied “assertions” from Strategic Management that denote different topic areas of research are presented below, as identified from Barney and Arikan (2001, p.146):

1. Firm vs. industry effects. Firm effects should be more important than industry effects in determining firm performance.
2. The impact of resources and capabilities. Valuable, rare, and costly-to-imitate resources should have a more positive impact on firm performance than other kinds of resources.

3. Corporate strategies. Corporate strategies (including, mergers, acquisitions, and diversification) that exploit valuable, rare, and costly-to-imitate resources should generate greater returns than corporate strategies that exploit other kinds of resources.

4. International strategies. International strategies that exploit valuable, rare, and costly-to-imitate resources will outperform international strategies that exploit other kinds of resources.

5. Strategic Alliance. Strategic alliances that exploit valuable, rare, and costly-to-imitate resources will outperform other kinds of alliances.

6. Rules for Riches. There cannot be a “rule for riches” derived from strategic management theory.

From the above resource-based “assertions” denoting the distinct research areas related to resource-based research, it is those concerning (1) “firm vs. industry effects”, and (2) the “impact of resources and capabilities [on firm performance]” that are most relevant to the current thesis. Thus, the present thesis identifies resources that are likely to evidence the attributes that resource-based theory predicts will be important to firms’ profitability then explores whether or not any performance difference exists. It further examines the premise that firm effects will be a more important determinant of firm performance than industry effects by comparing outcomes across multiple levels of analysis.
2.4.3 Review of Past RBV Research from Newbert (2007)

Newbert (2007) identified four approaches and related examples undertaken in RBV empirical research, as outlined below:

1. Resource heterogeneity approach. A resource, capability or core competence possessed by a firm that is valuable, rare and costly-to-imitate is quantified and correlated to firm performance, such as a firm’s “media favourableness” and the firm’s return on assets (cf. Deephouse, 2000).

2. Organising approach. Firm-level conditions are assessed that enable firms to effectively exploit their key resources and capabilities that are being examined. Interactions are examined between a given resource, such as knowledge, and an organising context, such as entrepreneurial orientation (cf. Wiklund & Shepherd, 2003).

3. Conceptual-level approach. The predictive value of resource-based criteria such as value, rareness and inimitability are tested for their impact on firm performance. King and Zeithaml (2001) test one aspect of the inimitability (causal ambiguity) of a firm’s competencies on its performance.

4. Dynamic capabilities approach. The extent to which specific, resource-level processes that are valuable, rare, and inimitable can improve firm performance is examined. Zhu and Kraemer (2002) test the interaction effect between a given resource (information technology infrastructure) and a specific dynamic capability (e-commerce capability) on several measures of firm performance.

From Newbert’s (2007) approaches above, the “resource heterogeneity approach” is one of the empirical resource-based research areas that is most relevant to the current
thesis. This approach is similar to Barney and Arikan’s (2001) assertion regarding “the impact of resources and capabilities [on firm performance]” as the resource-based research in these two categories identifies resources that are likely to evidence the attributes that resource-based theory predicts will be important to firms’ profitability then explores whether any performance difference exists.

2.4.4 Summary outcomes from Barney and Arikan (2001) and Newbert (2007)
The classifications of previous resource-based literature from Barney and Arikan (2001) and Newbert (2007) help to situate the current thesis within the variousambits of resource-based research that are most relevant. Gaps in the resource-based literature and developmental limitations of the theory are outlined in detail in section 2.5 of this thesis.

In summary, Barney and Arikan derived six “assertions” from Strategic Management that denoted different topic areas of past resource-based research, while Newbert identified four approaches undertaken in previous resource-based research. These research areas from both authors that are most relevant to the present thesis are outlined below.

- **The Impact of Resources and Capabilities** (Barney & Arikan, 2001) or the Resource Heterogeneity Approach (Newbert, 2007). This area of research examines the performance effects of various firm resources. Diagram 2.1 illustrates this approach as it directs this thesis.
Barney and Arikan (2001) and Newbert (2007) acknowledge that the bulk of resource-based empirical research has fallen into this category. However, this thesis examines a combination of resources and capabilities in order to better explore the role of firm assets and processes and their link to firm performance. Barney and Arikan (2001), in particular, suggest that future research examining the impact of resources and capabilities on firm performance include a focus on the conditions under which different resources may be valuable. The present thesis uses an under-explored industry context in management research in which to examine resource use and the processes through which they become valuable. The second research area to be examined in this thesis is presented below.

- *Firm vs. Industry Effects* (Barney & Arikan, 2001). This body of literature examines firm vs. industry effects in explaining firm performance. Diagram 2.2 shows how the current thesis examines firm vs. industry effects by using a comparative approach to resource analysis across the different levels of industry.
Diagram 2.2. Firm vs. industry effects.

This thesis incorporates the area of resource-based research that asserts firm effects will be a more important determinant of firm performance than industry effects. This research agenda was undertaken by comparing outcomes of resource emphasis across multiple levels of analysis in order to explore the effects of methodological choice and the RBV. The next section justifies the focus on the intangible resources that are examined in this thesis.

2.5 The Focus on Intangible Resources

The present thesis places a particular focus on the use of intangible resources as opposed to tangible resources, since they have become increasingly known as the most important strategically (e.g., Barney, 1991; Carmeli, 2001; Hall, 1992, 1993;
Itami & Roehl, 1987; Michalisin, Smith, & Kline, 1997). Unlike tangible resources that have physical properties (e.g., property, equipment), intangible resources are generally those “soft” resources that are based on knowledge or information such as organisational culture and product reputation. According to the logic of the RBV, intangible resources are more likely than tangible resources to be strategic assets since they are more likely to be rare, valuable, and imperfectly imitable (Barney, 1991). In addition, intangible resources are less likely than tangible resources to depreciate with use (Arthur, 1996).

Through mainly the use of quantitative studies, a number of intangible resources have been found to impact firm performance. Among those are tacit knowledge (Berman, Down, & Hill, 2002), customer relationships (Gouthier & Schmid, 2003), firm reputation and organisational culture (Michalisin et al., 2000), human capital (Hitt, Bierman, Shimizu, & Kochhar, 2001), cooperative capabilities (Tyler, 2001), trust (Barney & Hansen, 1994), and information technology (Powell & Dent-Micallef, 1997), to name a few. However, while such research has demonstrated the effects of resources on outcomes, considerably less attention has been directed to understanding the managerial processes through which the resources become valuable (e.g., Fahy, 2000). Additionally, such research has done little to establish the specific resource sets important to certain industry types (Rouse & Daellenbach, 1999), or explore the extent to which there is agreement between resources found to be valuable at the industry level and other levels of firm analysis (Gibbert, 2006).

In contrast to studies examining the impact of one or a few intangible resources, seminal research from Hall (1992, 1993) and subsequent research from Carmeli
(2001) examined the extent to which a number of intangible resources impacted firm performance, as perceived by managers. The research from Hall (1992, 1993) and Carmeli (2001) provided important directions for the current thesis and will be reviewed in turn, in the following section.

2.5.1 Seminal Research on Intangible Resources from Hall

The empirical papers from Hall (1992, 1993) provided important directions for the current thesis as they shaped its research design, [single] industry context, and its focus on intangible resources.

The first paper from Hall (1992) to explore intangible resources as key contributors to firms’ success was one in which he developed a framework for identifying the relative contribution of 13 intangible resources to the general success of the business. He surveyed 95 chief executive officers (CEOs) in the UK who represented businesses (employees > 100) involved in a number of different industries. CEOs were requested to rank each of the 13 resources in terms of their perceived contribution to the firms’ success, then were asked to consider replacement periods (e.g., How many years would it take to recreate the reputation of your company if you had to start from scratch?) and cite the most important area of employee know-how (e.g., technology, operations). The study was longitudinal insofar as such data relating to sales, employees, and resource contribution, were elicited for both 1987 and 1990.

In both 1987 and 1990, the main findings revealed that all CEOs rated company reputation, product reputation, and employee know-how as the most significant
resources affecting firm success. Interestingly, no significant differences were apparent in the rankings awarded by the CEOs regardless of the business type or performance groups. The change in ranking of some of the resources from 1987 to 1990 was seen to illustrate the perceived increasing importance of certain resources (e.g., culture) and conversely, the decreasing perceived influence of other resources (e.g., networks). The unitary category of “specialist physical resources” which referred to tangible resources, was ranked sixth in both 1987 and 1990, thus suggesting CEOs did not consider tangible resources as key contributors to firm success. While the findings conveyed the perceived importance of certain intangible resources, it was interesting that no performance differences existed in rankings related to either firm performance or business type.

In the second study from Hall (1993), six case studies were conducted of “successful” companies in the UK in order to ascertain which intangible resources were key to business success. A framework was used to guide structured interviews with either the Managing Director or Personnel Director of the organisation. Firms in the research included a motor manufacturer, a snack-food manufacturer, an outdoor clothing manufacturer, a baker and retailer, a bus company, and a supermarket retailer.

The outcome of the case studies showed that the perceived key intangible resources included firm reputation, employee know-how, and two aspects of organisational culture: perception of quality standards and ability to manage change. Importantly, these findings were similar to those of the 1992 study from Hall, which again found that company reputation, product reputation, and employee know-how were cited as
key resources in both 1987 and 1990. However, the case studies in the 1993 study were also able to identify various aspects of organisational culture that contribute to business success. These were perception of quality, perception of service, ability to manage change, ability to innovate, team working ability, and participative management style.

It appeared from Hall’s (1993) study that an attempt was made to break down certain resources, such as organisational culture, that were left broadly construed in his 1992 paper. However, other resources such as employee know-how were left as they were; somewhat ambiguous and lacking in characterisation. Unlike the 1992 study, only high-performance firms were included in this small sample of six mixed firms.

In summary, the studies from Hall (1992, 1993) revealed that irrespective of business type, the key intangible resources as perceived by firm CEOs included company reputation, product reputation, employee know-how, and organisational culture. These findings suggested implications for management practice on two counts. First, the research from Hall promoted a deeper understanding of the perceived important intangible resources that contribute to firm success. Second, in understanding which resources were paramount to firms’ competitiveness, it is suggestive of the areas in which actions need to be undertaken in order to develop, protect, and exploit those resources (Hall, 1992). While these contributions from Hall are valuable, certain limitations of the studies shaped the methodology and context used in the current thesis, as will be outlined next.
2.5.2 Limitations Stemming from Hall’s Research

Despite the important contributions stemming from Hall’s (1992, 1993) research, certain limitations were apparent. First, Hall’s studies have been criticised, in part, for the research design used in his 1993 study (e.g., case study of six companies) and the type of results presented (e.g., rankings, percentages) which limit the conclusions that can be drawn from the findings (Michalisin et al., 1997).

Second, while Hall found that certain resources can be a source of sustainable competitive advantage, he did not use the prescription of the RBV to demonstrate the extent to which the intangible resources were valuable, rare, imperfectly imitable, and non-substitutable. Michalisin et al. (1997) contend that certain intangible resources (e.g., supplier know-how and distributor know-how) listed by Hall do not meet the criteria of “strategic assets”, as would be prescribed by the RBV.

Third, while the studies from Hall (1992, 1993) used a resource list comprised of some resources assumed to be important, the resource list was broadly construed, and not generated with specific consideration to the industries used in his sample. Therefore, certain other resources that might have been important could have been excluded in this examination.

Fourth, the sample of businesses used in the studies from Hall (1992, 1993) spanned across a diverse set of industries, which potentially could have confounded the results. Barney (1991) suggests that key resources in one industry setting may be irrelevant in other industry settings. Although the studies from Hall demonstrated that the resource rankings from the CEOs evidenced some degree of consensus
irrespective of industry type, there were no “creative”-type industries in Hall’s samples that relied on artistic creativity. Therefore, the research from Hall (1992, 1993) begs the question of whether the same key resources will be evident in a subset of the creative industries. To date, no comprehensive research of which the author is aware has probed into the various resource types that feature as important within the particular context explored in this thesis. As will be discussed further along in this thesis, there is reason to believe that the key resources used in the studies from Hall will differ to those relied upon by a creative industries subset.

A final limitation is that it remains unclear whether the findings from Hall’s studies would have been the same had his analysis used a single industry, or included an examination across the various levels of industry, whether at the cluster level had his firm sample been grouped on commonalities prior to analysis, or at the level of the firm where managers are engaged in micro processes. Next, the research paper from Carmeli (2001) is presented. Like Hall’s studies, Carmeli’s (2001) paper explores the influence of a number of intangible resources on firm performance and provides important directions for the current thesis.

### 2.5.3 Research Stemming from Hall’s Studies

Carmeli (2001) was another scholar whose empirical paper examining the impact of intangible resources on firm performance guided the focus and methodology of the present thesis.

Carmeli (2001) used the early studies from Hall (1992, 1993) as inspiration for his own research. However, unlike Hall, he used the framework of the RBV to examine
whether the profile of perceived core intangible resources in high-performance firms was different from those evidenced in low-performance firms. In accordance with the prescriptions of the RBV, the research assessed the extent to which the firms’ core resources met the criteria of being rare, valuable, inimitable, and non-substitutable (Barney, 1991). In addition, the study furthered the work of Hall by exploring the resource profiles of both high- and low-performance firms.

Carmeli’s (2001) sample population consisted of ten Israel-based public firms selected due to their industry standing and their history of being under analytical review. The latter reason for selection was important since the research utilised financial and other data available from electronic information systems to ascertain company performance. Data on the profile of intangible resources and the business industry features were gathered through questionnaires that were completed by each organisation’s CEO. High- and low-performance firms were distinguished by their net income or net profit margin of the business, and the revenues and return on equity.

To determine the intangible resource profiles of high- and low-performance firms, the manager participants were asked to view a list of 22 alphabetically arranged intangible resources that were based on previous literatures (Aaker, 1989; Hall, 1992, 1993; Fernandez, Montes, & Vazquez, 2000; Itami & Roehl, 1987). They were then asked to choose up to seven valuable intangible resources that were possessed by their firm, and distribute up to 105 points among them according to the value of the resource to the firm. In the second step, the participants were asked to distribute up to 105 points among their seven (or fewer) valuable resources according to each
of the VRIN criteria (value, rareness, etc.) cited by Barney (1991). The rating of resources in this methodology is a refined version of the rating technique used by Hall in his 1992 and 1993 research. Carmeli (2001) noted that his use of an interval rather than ordinal rating technique allows the superiority of resources to be analysed more accurately.

Results of the study revealed that both high- and low-performance firms evidenced distinct “core” resource profiles, except for certain aspects of market features. Differences were apparent among the resources themselves within each category, as well as among the categories. Thus, the heterogeneity of resources across firms was supported which is an important assumption of the RBV (Barney, 1991). More specifically, CEOs from high-performance firms identified organisational strategy, ability to manage changes, managerial competence, and organisational culture as their core resources. In contrast, CEOs from low-performance firms chose the ability to raise funds, product/service reputation, intellectual property, marketing, and selling and business development as core resources. Interestingly, unlike the findings from Hall (1992), no overlap was evidenced between the resource profiles of high- and low-performance firms.

The research from Carmeli (2001) is valuable in that it builds upon previous intangible resource studies such as those from Hall (1992, 1993). It improves past research efforts due to a broader range of intangible resources that were used than in other studies. Additionally, the resources nominated in the Carmeli (2001) study were assessed as potential, strategic assets by the extent to which they were perceived as meeting the four RBV criteria (rare, valuable, etc.) cited by Barney.
The interval rating technique used by Carmeli (2001) may also prove more valuable than the ordinal rating system employed in the research from Hall (1992, 1993) because it measures the magnitude of the differences in the preferences among CEOs. The study further allowed for a comparative analysis of the high- and low-performance firms’ resource profiles, which utilised the framework of the RBV.

While progressive in certain respects, Carmeli (2001) cited certain limitations to his research. The newness of the empirical method, the small sample size, and the potentially incomplete list of intangible resources were some weaknesses the author thought future research may address. In addition, unlike Hall’s (1993) study, Carmeli’s study did not offer a qualitative component to the research, which may have been useful in teasing out the characteristics of various resources. As with the research from Hall, Carmeli (2001) reported using a sample of “public firms” that suggests the businesses were from a mixed range of industry types. Further to this point, there appears to be no creative-type industries in the sample that relies on artistic creativity, as opposed to scientific or technological creativity. This poses the question whether similar resources will be evident in firms from distinct contexts like the creative industries that are examples of firms apparent in the emerging “cultural economy” (Scott, 1997; Tepper, 2002).

The limitations apparent in the studies from Hall (1992, 1993) and Carmeli (2001) influenced the design of the current research in a number of ways. For example, unlike Hall, the current thesis uses the logic of the RBV in order to understand key resources and the managerial processes that shape firm outcomes. Also, unlike the
research from Hall and Carmeli, the current study uses a single-industry context in which to generate a relevant resource set from our context of interest.

The present thesis also undertakes a multi-level industry analysis so that resource findings across different levels of industry can be assessed and compared in order to better inform the RBV. Past methodologies that have used only broad-scale analyses may have produced findings that simply reflect the average, “representative” firm, not uncover the unique, firm-specific assets that can result in sustained profitability (Aharoni, 1993).

The present study also generates a resource list specifically from our context of interest. Recent literature has criticised the use of broad, “all-inclusive” resource categories found in many RBV studies (e.g., Johnson, Melin, & Whittington, 2003; Priem & Butler, 2001). Resource categories used in past studies, such as “human capital” and “know-how” (cf. Carmeli, 2001), provide a generic and somewhat bland characterisation of resources that are supposed to hold value due to their idiosyncratic properties. The resources used in the research from Hall (1992, 1993) and Carmeli (2001) were not generated solely for any one context of interest, so are unlikely to represent fully the resources that might be relevant or important to many of the firms used in their samples. Little resource-based work has investigated the specific kinds of resources that may be important to certain industry types (Mosakowski, 1998; Rouse & Daellenbach, 1999).

The current thesis aims to address this limitation by its focus, where possible, on more micro aspects of resource categories, coupled with interview data from
managers involved in the activities and processes that bring value to resources. Researchers acknowledge that the processes through which valuable resources can generate superior returns have been left largely untouched (e.g., Johnson et al., 2003; Priem & Butler, 2001).

The present thesis builds on past research because it identifies firms’ key resource sets and compares these findings using multiple levels of analysis at the industry, cluster, and firm levels. Resource findings are also explored in light of performance differences from each level of industry analysis so that better insights can be gleaned into how methodological choice can affect findings when using the RBV.

Finally, a new industry to empirical RBV studies is used: the music industry. This creative industries subset is paradigmatic of the organisational forms of the future in that it relies on the ideas, talent and creative capacities of the workforce. The introduction of a creative industries subset extends past research, since it is theorised that the intangible resources that lead to high performance in an artistically creative context will be different or will evidence distinct characteristics from those resources important in other contexts, such as those from the technical or scientific realms.

2.5.4 Summary

The preceding section presented the studies from Hall (1992, 1993) and Carmeli (2001) that provide important directions for this thesis. Like one aspect of the current research, the Hall and Carmeli studies are most concerned with the area of resource-based work concerning the impact of resources and capabilities on firm performance (Barney & Arikan, 2001) or the resource heterogeneity approach (Newbert, 2007).
However, a number of suggestions were identified in the previous section that aim to extend the research from Hall and Carmeli. These suggestions are as follows:

- The development of a resource list from the context of interest
- The use of a single industry in which to develop the RBV
- A clustering approach so that commonalities within an industry can be revealed
- More qualitative emphasis on understanding the processes through which the resources become valuable
- The use of a qualitative and quantitative methodology that can assist in providing a multiple-level analysis
- The use of a new industry context in which to understand the theory.

The next section outlines in depth some of the developmental limitations of the RBV and justifies the importance of many of the preceding suggestions that will be implemented in this thesis. Broadly, these developmental limitations relate to issues involving process and context.

2.6 Developmental Limitations of the Resource-Based View

2.6.1 Introduction

The RBV has been acknowledged as a guiding theory in strategy research (Hoopes, Madsen, & Walker, 2003; Levitas & Ndofor, 2006) evidencing widespread dissemination in academic literature (Acedo et al., 2006). However, the theory has been subjected to a number of criticisms; the debates over the utility and status of the
RBV have promoted a healthy conversation amongst RBV scholars (e.g., Barney, 2001a; Foss & Knudsen, 2003; Peteraf & Barney, 2003; Priem & Butler, 2001).

The purpose of this section is not to rehash the debates, as such dialogues have been well documented. However, the aim is to better understand the RBV as a theory of inter-firm differences by addressing a number of its limitations, particularly those concerning the appropriateness of past methods used to test the theory. The following section explores a number of the shortcomings associated with the RBV that the current thesis aims to address. The limitations addressed in the present thesis largely concern the neglect of process issues, the reliance on aggregated findings, and the measurement of intangible resources, as will be explored next.

2.6.2 The Neglect of Process Issues

Researchers suggest that the RBV be augmented by a consideration of the business processes through which resources become valuable (Barney, 2001a; Fahy, 2000; Foss, 1998; Lynch, 2000; Priem & Butler, 2001; Ray, Barney, & Muhanna, 2004). Efforts to refocus research attention on the dynamics of managerial processes in RBV research is a worthwhile agenda since resources alone are not a source of competitive advantage; they become valuable only through the actions of managers engaged in business processes (Aaker, 1989; Porter, 1991). Early RBV influences such as Stinchcombe (1965) and Nelson and Winter (1982) took very much a process-oriented view (Cockburn, Henderson, & Stern, 2000). However, the early influences of dynamic, process-oriented issues that relate to the RBV have received considerably less attention in more recent RBV literature.
Considerable empirical evidence supports the notion that an understanding of managerial processes is the key to process improvement (Teece et al., 1997). However, while managers are primarily responsible for orchestrating the planned processes that can potentially generate a competitive advantage in firms (Hill & Jones, 2001), most empirical tests of the RBV have not examined the process issues that are central to building and sustaining a competitive advantage (Newbert, 2007).

Lynch (2000) argues that the RBV requires further developmental work, particularly in areas involving (managerial) process. He reasons that the RBV has done little to identify the nature of resources, as it is self-evident that some resources are more likely than others to achieve a competitive advantage. Lynch (2000) suggests that a consideration of the processes through which resources become valuable is important in RBV research because it will provide a much needed understanding of management’s role in the conversion of resources into positions of advantage. In turn, the utility of the RBV will be improved by the insights gleaned into the relationship between managers and resources.

Johnson et al. (2003, p. 4) argue that “process” research needs to delve into the micro-activities of managers because “profit, not just the devil, lies in the detail”. The authors observe that much of the influential literature in strategy has used a macro focus in research that is too far removed from what managers do to be insightful or influential. The authors posit that a process-based approach is a timely consideration for RBV research, not least of all due to the changing economic environment. Johnson et al. (2003, p. 4) argue that the economic drivers for a
process-oriented approach are twofold and lie first with the change in resource markets where competitive advantage is ensconced in the elusive micro assets:

The economic environment is moving rapidly towards open markets, mobile labour and information abundance... From a resource-based view, the consequences are clear: the transparent becomes a precarious foundation for competitive advantage. In these fluid resource markets, sustainable advantage must lie in micro assets that are hard to discern and awkward to trade....

According to Johnson et al. (2003, p. 4) the other economic driver for a process-oriented approach pertains to the increasing climate of hypercompetition in business:

The second driver reflects the shift to a much more ‘hypercompetitive’ environment in which speed, surprise and innovation are the winning bases for competitive advantage. Hypercompetition impacts both the level and the frequency of strategy activity.

Understanding the processes through which resources become valuable is important practically for the development of RBV theory, since it can inform managers about best practice. However, it is also important from a theoretical point of view because process can only be explored at the level of the firm where managers are engaged in the identification, development, and deployment of resources. Despite Peteraf and Barney’s (2003) assertion that the utility of the RBV is that it can provide a firm-level explanation of performance differences among firms, a great deal of RBV research has tended to avoid firm-level research in favour of using averaged findings across mixed and single-industry samples, which may still be inadequate.
The implication of this macro focus is not only a limited understanding of resources and their role in the firm, but also little assurance that macro-level findings would necessarily equate to outcomes at the level of the firm. Thus, industry-level findings so typical in RBV research might be misrepresenting what is actually the case due to outcomes based on broadly aggregated data. The multi-level analysis conducted in the current study enables comparisons to be drawn across the different levels of industry to explore whether findings remain the same across the industry, cluster, and firm levels, as based on performance. Furthermore, the qualitative component of the present thesis enables the process issues to be explored that are central to understanding how managers convert resources into positions of advantage. The following section discusses the limitations concerning the use of aggregated data in RBV research.

2.6.3 The Use of Aggregated Findings

Resource-based theory predicts that even firms within the same industry can rely on different resource sets and processes in managing their firms. Thus, it can be argued that a firm-level analysis, opposed to an aggregated industry-level analysis, would best uncover these idiosyncratic sources of advantage. However, research using the RBV has often relied on methodologies that do not permit a firm-level analysis where the managerial processes can best be studied.

Many RBV studies, including that from Hall (1992, 1993) and Carmeli (2001) have produced findings that are based on “averaging” results across the sample. However, approaches reliant on averaging methods are inconsistent with the main tenets of the
RBV, such as resource heterogeneity, which directs researchers to uncover the unique, firm-specific assets that can result in sustained profitability; not tailor research to uncover what is the case for the average, representative firm (Aharoni, 1993).

Rouse and Daellenbach (1999) suggest clustering firms within a single industry prior to a more in-depth analysis, because it can reflect commonalities between firms that are otherwise not encapsulated in academic research. The authors maintain that “the failure to control for industry and strategic group commonalities could hopelessly confound results and confuse efforts to sort out any contextualised locus of advantage” (Rouse & Daellenbach, 1999, p. 491).

Rouse and Daellenbach (1999) further suggest comparing performance differences between firms from within industry clusters, and to seek out particularly the high-performance firms for sources of advantage. The authors explain that firms can evidence stark differences in sources of advantage as based on their distinct firm characteristics and profit margins. In particular, the authors direct scholars to look for sources of advantage at the level of the firm, since it is there where managers engage in identifying, developing, and leveraging their firm’s resources. Similarly, Ray et al. (2004) argue that it is only at the level of the firm where resources and capabilities are most likely to meet the criteria of being strategic assets in accordance with the principles of the RBV, particularly if the managerial processes exploit resources that are rare, valuable, and costly to imitate.
Scholars reason that firm-level research is also an important part of teasing out the ex ante managerial processes that contribute to firm competitiveness. Cockburn et al., (2000) contend that questions investigating the origin and dynamics of key resources will improve the utility of the RBV more than studies investigating “differential performance” that pervade the strategy literature.

Johnson et al. (2003) argue for a firm-level examination in resource-based research since a micro-level focus can better inform managers and potentially provide more practical benefits:

"Part of our problem has been a macro focus in research that is remote from what the managerial actors with whom we interact really influence…If we are to aid management and the managing of organisations we need to achieve a higher degree of reflexivity amongst those actors about what they are doing at that level and its effects. Much of the influential literature on strategy, important as it is, has left the manager bereft of insights, let alone guidelines for action, at this micro level. (p. 5)"

A micro focus at the level of the firm will also enable researchers to ask the “What” and “How” questions that have remained largely unaddressed in the RBV literature (e.g., Aaker, 1989; Miller & Shamsie, 1996; Cockburn et al., 2000; Priem and Butler, 2001; Newbert, 2007). Aaker (1989) proposed that strategy can be guided by addressing questions such as “What assets or skills have contributed to [successful businesses] over time?” and “What assets or skills do businesses with chronically low performance lack?” Theoretically, the “What” and “How” questions are the most useful questions to provide a framework for interpreting patterns in our empirical observations (Whetten, 1989). However, to extend the knowledge and boundaries of
the current RBV, theory also requires a consideration of the “Why” questions that underlie the reconstituted “How” and “What” questions (Whetten, 1989). In brief, “How” and “What” questions describe, “Why” questions explain.

The present thesis follows Rouse and Daellenbach (1999) in conducting a cluster- and firm-level analysis in order to better reveal sources of advantage. In addition to its multi-level analysis, the current thesis enables resource emphasis and managerial processes to be examined in-depth, at the level of the firm by addressing the “what, how and why” questions that can extend the RBV. Next, the discussion turns to how the *intangible* resources, a focus in the present study, can best be assessed.

### 2.6.4 The Measurement of Intangible Resources

Despite the increasing integration of the RBV in Strategic Management research, it has proved to be a difficult theory to test empirically because of the problems apparent in operationalising and measuring resources, particularly those that are “intangible” in nature (Barney & Mackey, 2005; Godfrey & Hill, 1995; Hitt et al., 1998).

Many past RBV studies attempting to tease out the strategically important intangible resources have used secondary data and “coarse-grained” variables to proxy intangible resources. Proxy measures such as research and development (R & D) intensity, advertising intensity, patents, human capital leverage, and investments among others have been used in this endeavour (Hitt et al., 1998). Research using such indicators has effectively demonstrated the effects of resources on outcomes. However, the research potentially leaves the resources in question and the processes
through which they are acquired “causally ambiguous” or “imprecisely identified” (Rouse & Daellenbach, 2002). Moreover, such research has been less fruitful in elucidating the managerial processes through which the resources become valuable (Barney, et al. 2001).

The limitations of relying on proxy measures in RBV research is discussed by Connor (1991) in Rouse and Daellenbach (2002):

…it might be tempting, considering data problems, to use ‘number of new products launched’ as a proxy for a firm’s resources related to R&D capabilities. It is clear, however, that (a) firms measuring identically on launches may have entirely different components of R&D capability, or (b) instead of reflecting R&D capability, launches may indicate management proclivities regarding when a product is deemed ready for market or plan luck in development time. (p. 964)

A related concern is that RBV studies forgoing the use of proxy measures to examine intangible resources have at times resorted to using broad, all-inclusive resource categories (Johnson et al., 2003; Priem & Butler, 2001) such as “human capital” and “know-how” (cf. Carmeli, 2001). While a breadth of resources have been identified across empirical resource-based literature, most empirical research has not explored the resources in question by any means of depth (Newbert, 2007). Such a macro approach to the treatment of resources provides a bland characterisation of resources that are purported to hold value due to their idiosyncratic properties.
Thus, the limited understanding available through the use of proxy measures and broadly construed resource categories in RBV research directs us to consider the use of different or non-traditional research designs (Hitt et al., 1998) including both qualitative and quantitative approaches (Barney et al., 2001), as they can better enhance our understanding of how resources become valuable and provide insight into which resources managers rely on in order to maximise profitability. Only research designs aimed at understanding the managerial processes will be able to untangle the nature of such resources.

The mixed-method approach used in this thesis permits a relevant and representative intangible resource list to be generated from the sample. The qualitative component of analysis also allows the intangible resources and their usage to be described at the level of the firm where managers are engaged in business processes. The methodology further enables resource emphasis to be ascertained across different levels of industry and compared in order to better inform the effects of methodological choice and the RBV and enlighten future studies using the theory. Next, a rationale of the comparative approach, undertaken in the present thesis, is presented.

2.6.5 A Comparative Approach

A conceptual framework proposed by Gibbert (2006) illustrates that a comparative approach using different levels of analysis and methodologies in RBV research can expect distinct outcomes and, consequently inform the RBV. Gibbert (2006) suggests that resource findings may vary, depending on the level of analysis used, but that only resources found to be highly idiosyncratic to an individual firm are
those most likely to meet the VRIO criteria, as proposed by the RBV. Gibbert’s (2006) conceptual model centres around the generalisability of some resources, as based on their level of idiosyncrasy and their level of analysis. The author’s paper reminds scholars that a defining feature of the RBV is that its intention was to provide a firm-level explanation of performance differences among firms (Peteraf & Barney, 2003).

Gibbert (2006) synthesised the work of various RBV authors (e.g., Barney, 2001a; Eisenhardt & Martin, 2000) to develop a conceptual framework in which to distinguish between the generalisability of some resources, as based on their level of idiosyncrasy and their level of analysis. The relevance to this research is that the observations and recommendations from Gibbert (2006) validate the approach taken in the current thesis:

- Generalisability depends on the type of methodology employed.
- A number of factors can mediate the degree to which firms’ idiosyncratic resources will be generalisable. Thus, exploring a number of background variables can inform any effects that are observed.
- Understanding idiosyncrasy in resource-based research requires a comparative approach which explores unique resources on different levels of analysis.
- Using a comparative approach necessitates different research methods for each level of analysis because different methodologies reveal distinct levels of idiosyncrasy.
In the present thesis, quantitative and qualitative methodologies are used to assess and compare resource emphasis across multiple levels of analysis in order to inform the effects of methodological choice and the RBV. Furthermore, a wide array of background variables is considered that could potentially influence findings.

2.6.6 Summary of Limitations

A number of limitations concerning the RBV were presented in this section. It was argued that the RBV is a developing paradigm that can benefit practically by attention to the more micro aspects of process research. Scholars assert that such research is necessary for the development of the theory, since most empirical tests of the RBV have not examined the process issues that are central to building and sustaining a competitive advantage (e.g., Barney, 2001a; Newbert, 2007; Priem & Butler, 2001). Part of the problem has been the macro approach and methodologies used in past RBV research that have been unable to glean more than a rudimentary understanding into the managerial processes that contribute to firm competitiveness (Rouse & Daellenbach, 1999).

The methodological issues facing the theory concerned the use of broadly aggregated analyses, and the measurement of intangible resources. It was proposed that a methodology incorporating both qualitative and quantitative approaches could reveal the process issues that are central to understanding how and why resources influence firm competitiveness.

It was argued that the methodology undertaken in the current thesis further enables resource emphasis to be assessed across various levels of analysis (e.g., industry,
cluster, and firm-level) and compared in order to better inform the effects of methodological choice and the RBV and enlighten future studies using the theory. The qualitative component of analysis also allows the intangible resources and their usage to be described at the level of the firm where managers are engaged in business processes. Furthermore, a number of different background variables are considered that could potentially influence findings.

A final proposition to be presented in the following section involves the selection of a different industry type than has previously been used in empirical resource-based research. It is argued that the most appropriate industry in which to test the RBV is one that offers a new setting so that fresh insights can be gleaned from the theory as a result of utilising it under different conditions (Whetton, 1989). Whetton (1989) explains that using the RBV in a new context has the potential of improving the perspective as a tool and not just reaffirming its utility. Qualitative changes in the boundaries of the RBV can be established and alternatives can be proposed so that the RBV becomes improved conceptually. Extant views of the RBV can be transformed, thus providing important implications for scholars and practitioners. According to Whetton (1989), these contributions are important to the theoretical development of paradigms.

In light of the logic of the RBV, it can be seen that the most appropriate context in which to develop the theory is an environment which is heavily reliant on those resources considered most likely to be strategic assets: the intangible resources. The following section outlines the context of interest used in this research.
2.7 The RBV in a New Environment

2.7.1 Introduction and Overview

Thus far, it has been established that the RBV is very much a developing paradigm that requires further work in order to improve its status as a useful theory of the firm. It has further been recognised that such an examination is best considered over various levels of analysis. An added proposition involves the selection of a different industry type than has typically been used in RBV research in order to better explore the main tenets of the theory.

The creative industries have been gaining increasing prominence as a major economic contributor (Jones, Comfort, Eastwood, & Hillier, 2004) and are considered to be the key source of competitive advantage in the current global economy (Florida, 2002). Research into the management of creative industry sectors is a timely consideration for scholars since issues faced by managers in this realm have an increasing relevance to those in many other industry settings (Lampel et al., 2000).

A sector of the creative industries provide a particularly unique setting in which to investigate pertinent resources and managerial processes since many important differences exist between the creative industries and other industries commonly used in RBV research (Caves, 2000a). Indeed, the creative industries’ reliance on artistic creativity has implications for the resource-base of such organisations. How managers in the creative industries identify, develop and deploy their resource-base
is likely to be distinct from how managers in more traditional industries manage their resources.

While economists examining the creative industries have tended to focus on issues relating to public policy of the elite performing arts, they have not attended to questions pertaining to issues pertaining to its management or organisation (Caves, 2003). Thus, a creative industries sector presents as a timely consideration for management research. The following section presents an outline of the creative industries and its unique characteristics. The importance of the cultural economy is emphasised and arguments are presented as to why a creative industries sector is an important area for management research and, in particular, for the development of the RBV. The section concludes with an introduction to the creative industry sector that was selected as a focus of this thesis: the music industry.

2.7.2 The Creative Industries and Their Products

The use of the term “creative industries” dates back to 1997 when it was coined in the UK by the incoming Labour government, and has since been adopted throughout Europe, North America, Australia, New Zealand, and in Eastern Asia (Jones et al., 2004). Definitions for the term creative industries vary, as do the boundaries for inclusion within that domain. However, the creative industries as defined in this thesis represents those industries which supply “goods and services that we broadly associate with cultural, artistic, or simply entertainment value” (Caves, 2000a, p. 1). Publishing, the visual arts (painting and sculpture), the performing arts (opera, theatre, dance, concerts), television and cinema, sound recordings, fashion, and toys and games are among those in this category.
As observed by Jones et al. (2004), despite the varied definitions of the term, there are a number of commonalities in how the creative industries are characterised. For example, the creative industries are often rooted at the local level and in localities or “clusters”, thus facilitating supportive partnerships or working relationships. They are typically understood as a fragmented sector that encapsulates a large number of small organisations and a small number of large organisations. Many people working in the creative industries are self-employed, work part-time, or work part-time in addition to working in other employment. Furthermore, it seems many understandings of the creative industries view individual creativity and intellectual capital as important drivers for this sector, and acknowledge the unique aesthetic elements that underpin the cultural products or services.

The above understandings of “creative industries” are similar to the term “cultural industries” that is used by Lawrence and Phillips (2002, p. 433) to refer to groups of firms “that share the common activity of producing culture”. There are many different kinds of cultural industries that produce a range of cultural goods, but the term, according to the authors, “grows out of the reasons why a product is valued by buyers rather than out of inherent characteristics of the product or of the firms that produce the product” (Lawrence & Phillips, 2002, p. 433). Thus, in the current thesis, firms belonging to a cultural or creative industry compete with products (or services) that have a “symbolic” value as opposed to some sort of “material characteristics”. In this regard, the terms “creative industries” and “cultural industries” are used interchangeably.
Cultural or creative products produced by the cultural industries are goods and services that consumers value for their meaning and that are consumed “in an act of interpretation” as opposed to being used more practically to problem solve, as traditional products would (Lawrence & Phillips, 2002, p. 431). Thus, managers from cultural industries focus not on producing a product but on **producing and selling meaning**. They differentiate this “symbol-intensive” form of organisation from those that are capital-intensive or knowledge-intensive because it is the process of symbol creation and the continuous innovation of new cultural products that needs to be managed. The cultural industries possess a number of unique characteristics, as will be described next.

**The Characteristics of the Creative Industries**

Lampel et al., (2000) argue that the cultural industries are distinctly different from most other industries. The authors explain that cultural products evoke “intensely private experiences, and they tap values and aspirations that are neither utilitarian nor commercial” (Lampel et al., 2000, p. 268). The authors contend that the cultural industries are uniquely reliant on **creativity**, which is a particularly elusive resource that is difficult to understand and control. Furthermore, the unique characteristics of the creative industries can give rise to environmental conditions such as ambiguity and dynamism, which are gradually becoming more common in other industry sectors.

Another distinction that characterises creative industries from other industry sectors is that collaborations in the creative industries are uniquely reliant on the intangible resources of deals and contracts (Caves, 2000a). They may be formal, informal,
long-term, or one-off and occur both in firms and the open market and provide contrast to the activities in other industry sectors.

Caves (2000a) further proposes a number of differences between traditional and creative industries that concern the distinct economic properties of creative activities, as outlined below:

1. “Nobody knows property”/demand uncertainty. In the creative industries, is it difficult to place any degree of certainty on the value of a creative product, since consumer reactions to products are neither known beforehand nor easily understood particularly because the satisfaction of the buyer is normally a subjective experience.

2. “Art for art’s sake”/the care for the product. Economists often assume that pay and working conditions are a much higher priority for workers than the traits and characteristics of the products they make. However, for the artist, the originality, resolution and harmony of the creative product are of great importance. Artists are more likely to disregard consumer demand to produce something that resonates more closely with their creative need. The relationship between artists and managers can be complicated by the tension between art and commerce.

3. “Motley crew”/diverse skills. Some creative works require many specialised workers, each bringing their own aesthetic preferences to the project. The different skills, preferences, and priorities of creative workers can complicate the organisation of the creative activity and present challenges in sustaining members’ cooperation.
4. “Infinite variety”/differentiated products. Products are differentiated by quality and uniqueness in the creative industries. Economists would term these products “horizontally differentiated” (Caves, 2000a). Two movies may be quite similar in genre but there will be those consumers who prefer either one or the other. This property suggests various implications for the marketing of creative products.

5. “A list/B list”/vertically differentiated skills. While creative products differ unpredictably, artists are ranked on their talent, skills, and originality on their creative processes or products. The categorisation of creative talent poses implications for how creatives are ranked, assessed and remunerated.

6. “Time flies”/time is of the essence. There are particular issues of timing and coordination involved in creative activities that are compounded by the multitude of players (“the motley crew property”) often involved.

7. “Ars longa”/durable products and durable rents. Many creative products such as sound recordings are durable in that long after its composition consumers can still pay for the product. The original artists may collect royalties or rents years after the production of a creative product depending upon the legal duration of the copyright. Implications can result from contracting for the expected future rents of recorded music.

Caves (2000a) notes that the preceding seven properties of the creative industries do not distinguish between the social processes and organisational structures surrounding popular or high culture. Each of the aforementioned elements is apparent in each creative realm even though the sophistication of artists and creative products may vary considerably from one creative realm to the next. The unique characteristics of firms in the cultural industries suggest implications for the resource
base, organisation, and management of firms in this sector (Caves, 2000a). The following section explains the economic and cultural significance of the creative or cultural economy.

The Cultural Economy

Humdrum industries are those more traditional firms that have driven what has commonly been known as the industrial economy (Caves, 2000a). Such firms include financial institutions, factories, manufacturing plants and more generally those firms that sit outside of the creative arts. More recently, scholars, arts advocates, and pundits have argued that certain changes in the economy such as globalisation, digitalisation, the surge of intellectual property, and the growing importance of the “knowledge” worker and their creativity, have meant that a new kind of economy is superseding the industrial economy; the creative or the cultural economy (Scott, 1997; Tepper, 2002). Howkins (2001, p. ix) asserts, “People with ideas—people who own ideas—become more powerful than people who work machines and, in many cases, more powerful than people who own machines…[therefore] the creative economy will be the dominant economic form in the twenty-first century”.

Cunningham (in press, p. 1) explains that the rationale for identifying the creative industries as a separate sector in the economy is because “they are differentiated by the fact that creativity is their primary source of value and that this source of value is becoming increasingly essential to growth in the post-industrial, knowledge-based societies”. More than 50% of consumer spending is currently concentrated in the creative industries in the G7 countries, thus suggesting the magnitude of how
consumption is driving the post-industrial economies (Cunningham, in press; Ryan, 2003).

Recent research also points to the significant growth of creative industry sectors as a proportion of overall economic activity in several countries, and as important enablers to the greater economy (Cunningham, Cutler, Hearn, Ryan, & Keane, 2005; Flew, in press; Howkins, 2001). Consequently, creative industry policy initiatives have been initiated by several nations (Cunningham et al., 2005; Matheson, 2006). Establishing a cultural agenda through the support and extension of the creative industries is as integral to global leadership as trade policies or diplomatic relationships as it provides visibility, branding, and social currency, in addition to revenue (Mitchell, Inouye, & Blumenthal, 2003; Venturelli, 2001).

Part of this new economy is also driven by what has been variously termed the “aestheticisation of everyday life” (Featherstone, 1991), “aesthetic reflexivity” (Lash & Urry, 1994), or the process of “fashionisation” (Peters, 1992). Such terms refer to a culture that is becoming more focussed on the aesthetic or symbolic properties of goods and services though which they identify themselves. Consequently, many businesses—even those traditionally thought to stem from humdrum industries—are being pressured to innovate in an artistically creative way so as to compete with a culture that is becoming more focussed on this aesthetic.

Apple, for example, is one company that moved from selling hardware to selling emotions with its aesthetically pleasing products. Over the past ten years, Apple has experienced a 232% rise in shares that many credit to Apple CEO Steve Jobs and, in
particular, to the award-winning design efforts of British-born Jonathon Ive who started with the company nine years ago (Burrows, 2006). Ive’s product designs evolved from the candy-coloured iMac to sleek titanium laptops and the diminutive iPod Nano. Burrows (2006, p. 2) observes that “while computer companies have focused on pinching pennies these past few decades, Apple has been perfecting its design game. The fact that rivals are now talking about design is not proof they’re catching up—but of how far they have to go”.

While the significance of the creative industries has been widely recognised (e.g., Cunningham, in press; Mitchell et al., 2003; Flew, in press), there has been little research into the management practices that drive such organisations (e.g., Lampel et al., 2000). The next section discusses why management research into the cultural industries is a timely consideration.

**Cultural Industries and the Management of Creativity**

Almost three decades ago, management scholar Rumelt (1979) revealed the need for investigations into the strategies of “book publishers and motion picture producers”, thus recognising that there is perhaps something distinctive about the way in which the more creative industries are structured. Despite the magnitude and the growing significance of the cultural industries, traditional industrial companies are still the primary focus of management research.

In the year 2000, the journal *Organization Science* dedicated a Special Issue to creative industry sectors entitled “Cultural Industries: Learning From Evolving Organizational Practices”. Authors Lampel et al. (2000), who contributed to this
special issue, noted the dearth of empirical studies addressing the particular managerial and organisational issues that pertain to the cultural industries. The authors reasoned that the neglect of cultural industry sectors is because management scholars find the management practices and organisational patterns in those environments present anomalies to their established views of traditional organisations. Other authors have also theorised about the lack of management and organisation research into the cultural industries.

Caves (1999), for example, suggests that the creative industries have been largely ignored by economists because most have found limited interest in them, preferring instead to work on more “serious” industries. Caves (2003, p. 73) further reasons that the relative absence of research into the organisation of the creative industries is because economists have had problems in “mobilising a set of economic tools suited to understanding such issues as why these industries are organised as they are”. In her research pertaining to creative innovation in the arts, Fitzgibbon (2001) draws upon the unpublished PhD dissertation of Chiapello (1994) to suggest that the absence of management research in cultural industries may be due, in part, to the dominance of the Romantic paradigm in the arts sector. This paradigm suggests that artistic creativity or innovation lies beyond empirical enquiry and, at times, beyond management.

Lawrence and Phillips (2002) observe that the organisation and management literature to date has limited use in understanding the distinct issues that face the management and production of cultural products. What basic issues face creative organisations? What modes of organising are most appropriate in creative
organisations? Lawrence and Phillips (2002) contend that understanding the
management of style—as opposed to understanding style—has been a huge area of
neglect in the cultural industries. They argue that the management of style and its
link to firm competitiveness is a “distinctive competence” on which the organisation
must focus. While firms can influence the development of consumer tastes to some
extent, they are “largely reactive and dependent on trends and fads that are difficult
to predict and even more difficult to manage” (Lawrence & Phillips, 2002, p. 438).

Lawrence and Phillips (2002) argue that management research focussing on creative
industry sectors can provide a number of benefits for management theory. First, it
can inform management in these industries and provide a basis for education,
consulting, and publications in this domain. Second, it can enable an understanding
of the dynamics of cultural production that can assist in making sense of the
processes, whereby many products historically sold on the basis of practicalness are
now competing based on style. Third, management research in cultural sectors can
assist in a more developed understanding of the link between “corporate activity and
macro-cultural trends” or put another way, art and commerce.

While empirical management research into the cultural industries is lacking, Lampel
et al. (2000) observe that the organisational practices in such sectors can no longer
be ignored. While the role of managers in creative sectors is to “harness knowledge
and creativity in order to enhance the value of the experience that is provided by
their products,” issues pertaining to such tasks are becoming increasingly relevant to
managers across a wide array of industry contexts (Lampel et al. 2000, p. 264). The
following section argues that a creative industries sector is a most appropriate
context in which to develop the RBV, and furthermore, to discover and understand the unique resources and managerial processes in that environment.

**A Resource-Based Approach to the Study of Creative or Cultural Industries**

As previously defined, the resource-based view is a theory of inter-firm differences derived from the resources and capabilities a firm controls that are valuable, rare, imperfectly imitable, and not substitutable (Barney et al., 2001). According to the theory, the most important resources are the **intangible resources** since they are more likely than tangible resources to achieve a competitive advantage (e.g., Barney, 1991; Carmeli, 2001; Michalisin et al., 1997).

According to Whetton (1989), using theories such as the RBV in different contexts can provide fresh insights as a result of using the paradigm under different conditions. The identification of new intangible resources and new management processes can extend the boundaries of the theory and contribute to its theoretical development, thus providing important implications for scholars and managers.

The creative industries provide a distinct context in which to theoretically develop the RBV due to their unique properties and reliance on certain intangible resources that distinguish them from traditional firms. For example, Lampel et al. (2000, p. 265) argue that tacit knowledge is more important in cultural industries than traditional industries and that “talent, creativity, and innovation are the resources that are crucial to success”. The authors contend that such resources are “amorphous” in that they are difficult to define, can emerge unexpectedly, and are not understood clearly.
However, it is unclear from the lack of management research into the cultural industries as to whether certain creative resources are more relevant in some cultural sectors than in others or whether certain resources feature more prominently in high- or low-performing firms. It also remains unclear whether there are certain creative resources that have yet to be identified. Furthermore, questions pertaining to how the resources are understood and used by managers in order to generate firm profits have been largely absent from management research.

Using the RBV to provide more insight into key resources and managerial practices of a creative industries sector is important because a key challenge for firms in cultural industries is on sourcing, developing, sustaining, and replenishing their creative resources (Lampel et al., 2000). This contrasts traditional economic models that focus on generating greater profits from existing resources (Flew, in press, p. 17). As reasoned by Lampel et al. (2000), there are limited “experts” in the traditional sense who consult, as would an engineer or an analyst, in the cultural industries. Moreover, the authors note that professional training and apprenticeship programs that can be effective in other industries often do not work in the cultural industries. “For the most part [creative industry firms] bank on the successful use of creativity, which is a resource that ultimately cannot be controlled” (Lampel et al., 2000, p. 268). The unique properties of artistic creativity and its link to innovation in the creative industries are detailed next.
Creativity and Innovation in the Cultural Industries

The vast literature on creativity is testimony to our desire for a better understanding of this intangible and elusive concept. Runco and Pritzker (1999) state that since 1960, over 10,000 research articles in creativity have been featured in countless periodicals and more than 600 books were published on the topic during the 1990s. The research on creativity spans across numerous disciplines including business, psychology, education, and the health sciences.

The bulk of research on creativity has focussed on personality studies of creative people (Amabile, 1996). These studies have taken various forms, including the use of biographical and autobiographical accounts of well-known creative personalities, laboratory studies of creative people, and individual-difference research in ordinary individuals using various assessment procedures such as personality, intelligence, and creativity tests. In organisational research, creativity is primarily viewed as an element of the individual personality (Hall, 2000).

Creativity has been identified as “the decisive source of competitive advantage” in our current century global economy (Florida, 2002, p. 5; cited in Flew, in press). However, creativity manifests itself distinctly in various intellectual and economic domains, evidencing different form, character, and outcomes (Mitchell et al., 2003). The “subsystems” of creative production including the arts, sciences, business, and education (Cropley, 1999) prompts practitioners in each realm to assume their worlds are unique (O’Quin & Besemer, 1999). While a general approach to creativity is possible, there is a specificity in creativity in that the relative importance of various factors is greater in some domains than in others (Cropley, 1999).
Knowledge, for example, is more important in creativity required in the sciences than it is for creativity in the arts. However, organisational research does little to distinguish between the types of creativity, even though the distinctions suggest implications for the resources, their use, and their management within an organisation.

For example, some scholars distinguish between creativity in the arts from that of the sciences by referring to either artistic or scientific creativity (Feist, 1999). In scientific creativity, there is a great theoretical, technical, and experimental knowledge that innovative ideas must either extend or replace (Dunbar, 1999). Any new scientific discovery must abide by the norms and practices before being accepted as a discovery by other scientists. Further, innovations involving scientific creativity typically arise from costly and purposive inventive efforts that largely draw on underlying scientific or engineering knowledge (Caves, 2000b).

Artistic creativity differs in that “artists produce a different kind of product than scientists and have different intentions when engaged with the practical problems that govern art making” (Ione, 1999, p. 266). While creativity in scientific product innovations typically improves on established products, artistic creativity is non-conforming and often concerned with violating rules (Dudek, 1999). The finished artistic products can be the result of “unsolicited, urgently felt decisions made at the level of primary processes” (Dudek, 1999, p. 102). The artistic process is specific to the artist and almost always uncertain (Chiapello, 1995). Furthermore, value pertaining to artistically creative products cannot be gauged as objectively as with scientifically creative products (Caves, 2000a).
Innovation resultant from artistic creativity is also distinct to innovation of other kinds. Unlike innovation in the sciences where purposive product innovations improve on established products, artistic innovation is often due to nothing more than consumers changing their minds about what they like (Caves, 2000a).

While it is useful to distinguish between the types of creativity, it is often the case that these domains are tightly coupled as evidenced by the intersection between the creative activities in the arts and design with the creative practices in information technology, for example (Mitchell et al., 2003). Moreover, these interrelationships are becoming increasingly common as firms from cultural industries and those more traditional firms become more reliant on each other for the purposes of creative innovation (Mitchell et al., 2003). As discussed earlier, the creative aesthetic is prompting more traditional businesses to innovate in an artistically creative way so as to compete with a culture that is becoming more focussed on the aesthetic. The increasing interrelationships between firm types have been the basis for scholars to predict the emergence of a “creative economy” (e.g., Howkins, 2001).

The paucity of attention towards the organization and management of artistically creative firms is noteworthy because it suggests implications for the resource base of those firms and the processes through which managers “manage”. While creativity is an elusive concept, artistic creativity in particular has been identified as the “prototype of work that is impossible to control by management” (Chiapello, 1995, p. 1). Research into the management of creative industry sectors is a timely pursuit, since the problems and issues they face “are becoming increasingly relevant to a
broad cross section of managers across a wide range of industry contexts” (Lampel et al., 2000, p. 264).

The following section describes the context of interest in the present thesis: the music industry. The music industry is an example of a creative industry subset that evidences distinctive characteristics as compared with other more traditional industries, thus underpinning the rationale and research aims that guide this research.

**The Music Industry**

Definitions of the Australian music industry range from elusive to detailed. Authors Fagan and McLeay (1999) refer to Sly (1993, p. 15), who observed in her guide to the Australian music industry that “[t]echnically speaking, there isn’t really any such thing as a ‘music industry’ in Australia. There is a collection of individuals, and small and large businesses who make, or endeavour to make, a living from music-related activities”. More specifically, Papadopoulos (2000, p. 338) defines the Australian music industry as “a complex mix of interconnected sectors which includes publishing, recording, manufacturing, retailing, sound recording studios, artist management, merchandising, promoters, booking agents, performers, and songwriters/composers”. It seems the common thread among most definitions of the Australian music industry is that it is comprised of firms engaged in a diverse assortment of business activities that relate to the production and consumption of music.

However, the music industry represented in this thesis adopts the understanding similar to that used by Tschmuck (2006), in that the music industry is comprised of
firms engaged in business activities related primarily to the business of producing and distributing recorded music, as opposed to firms involved with activities concerning music therapy, or dealing exclusively in concert venue hire or instrument sales, for example. Music industry firms that were a focus of the current thesis included record labels, distribution firms, promotions companies, artist-management and consultancy firms, and recording studios.

This profile of activities is similar to those firm types considered in the report produced by the Australian Bureau of Statistics (1997). This exploration of the Australian music industry was the first comprehensive initiative of its kind. The sample consisted of 541 businesses including record companies and distributors, manufacturers of recorded music, music publishers, sound recording studios, and managers of artists. Excluded in the analysis were concert promoters, venue operators, booking agents, music retailers, performers, and songwriters/composers. The Australian Bureau of Statistics report calculated the total income of the industry at $1,064 million between 1995 and 1996. However, approximately 90% of the market share from sound recordings belonged to the six multi-national enterprises or “majors” who included Sony Music, Polygram, Warner Music, EMI, BMG, and Universal.

The music industry was selected over other cultural industries because of its economic size, its status as a “high-velocity industry” (Seifert & Hadida, 2006), and the massive changes that the industry is facing prompted by the technology of digitalisation and the internet. The recorded music industry has been made a prime example on how being caught out by technological change can severely rob an
industry of revenue (Washington, 2006). Digital downloads have cost the industry millions of dollars in lost revenue over the past six years. In 2005 alone, the Australian recording industry lost an estimated $100 million or 10% of overall sales. Yet despite this, it is an industry where collective intuition is favoured over structured decision-making and industry players are reluctant to change, particularly in the face of technological evolutions (Seifert & Hadida, 2006).

While some firms successfully navigated their way through the various environmental changes facing the industry, other firms struggled. The reasons for why some firms persisted while others did not are at best speculative, since there is a paucity of empirical research into the management of music industry firms. However, it does appear clear that access to online music redistributed power in the music industry from labels to consumers, thus prompting labels to consider the adoption of new business models and perhaps different resources in order to meet customer needs in this “e-commerce milieu” (Fox, 2004).

For music industry firms, the issues in contemplating new business models are coupled with those concerning the creative talent. One problem concerns the apparent difficulties and risk involved in breaking new acts; one statistic shows that only around 5% of artists signed up with a major record company break even (e.g., Vogel, 2004). It would seem that the key to breaking new acts lies not only in the discovery of talent, but also in how the talent is developed, marketed, managed and so forth, which lends itself to a second issue: the management of the creative talent.
The tension between art and commerce remains a significant management challenge for music industry firms (Lawrence & Phillips, 2002). The gap between the expectations of artists and those who fund their work was shown in research from Kubacki and Croft (2005, p. 225) who found that artists consider business and art as mutually incompatible and perceive that “treating music as a business represents a particularly insidious force in cultural life, stifling creativity and change”.

However, the complexities facing the music industry have done little to deter players from participating. Even those jaded by excessive competition and the seemingly small potential to earn large rents will persevere, as one firm owner testifies:

Participating in the Australian recording industry is like finding a corpse at a crash scene in the outback. By the time one finds the corpse it has been well picked over and only sherricks of flesh remain attached to the skeletal remains. (Case #1.)

Despite the financial hardships faced by the industry over the past six years, PricewaterhouseCoopers (PwC) predicts that the revenue generated from the recorded music industry is set to rise. While no growth is predicted for 2006, a 2.1% growth is predicted for 2007 as legitimate music downloads and ringtones will offset the decline of music in physical format (PwC, 2006).

The music industry, as a subset of the creative industries, presents as an important context in which to identify key resources and explore the processes through which they become valuable. No comprehensive empirical research of which the author is aware has probed into the various resource types and associated managerial processes that feature as important within the context of the music industry.
It is argued that the complex ecology that characterises the music industry is bound to shape the resource profiles and management of firms in that context. Research of this kind is a timely consideration for strategy research, since scholars argue that the emerging cultural or creative economy is superseding the industrial economy to become the dominant economic form in the twenty-first century (Howkins, 2001). More traditional firms are facing the systematic and substantial differences that characterise firms from the cultural industry where creativity plays a vitally different role (Caves, 2000a). An explicit overview of how the research agenda was formulated is presented next.

2.8 Formulating the Research Agenda

As noted earlier, few resource-based studies have developed a key resource set from a specific context of interest and examined the processes through which the resources become valuable. In keeping with some of the suggestions from Rouse and Daellenbach (1999, 2002) and others (e.g., Barney, 1991; Foss, 1998; Johnson et al., 2003), several steps are undertaken in the current study in order to best meet this agenda.

The research clusters firms within a single industry according to commonalities, since it can better allow researchers to identify sources of advantage from similar firm types (Rouse & Daellenbach, 1999). To even better identify the pertinent sources of advantage, the strategies of managers are then explored at the level of the firm, particularly within the high-performing organisations. It is potentially only at
the level of the firm where a more micro level of analysis can reveal resources that are truly valuable, rare, and inimitable (e.g., Peteraf & Barney, 2003).

In order to facilitate theory building, a new research program is also used. The mixed-method approach of Q methodology (Stephenson, 1953) uses factor methodology and interview data to understand, rather than explain, phenomena. This subjective approach can foster the identification of an industry-specific resource set, cluster firms within a single industry based on commonalities in resource emphasis, and explore the managerial processes at the level of the firm that can lead to a competitive advantage. Resource emphasis can further be determined and compared across different levels of analysis.

The current thesis also aims to extend the RBV in firms from an industry environment that is highly dependent on the intangible resources that are exemplified in the new creative economy (Scott, 1997). The industry of choice is one which is paradigmatic of the organisational form of the future: the creative industries.

This research is important, because it addresses several gaps in the RBV literature, thus potentially improving the paradigm as a theoretical tool and not merely reaffirming its utility (Whetton, 1989). Typically, resource-based studies have taken a macro approach to understanding competitive advantage (Rouse & Daellenbach, 1999) but here it is argued that any resources and capabilities that are rare, valuable, and costly to imitate will only be apparent in the micro aspects of process research. The rationale for this research is guided by the research aims this thesis seeks to address. In short, they pertain to identifying the key resources in a single and new
industry context for the RBV, and understanding the managerial processes through which the resources become valuable. A comparison of outcomes across different levels of analysis can inform the effects of methodological choice and the RBV.

2.8.1 Defining the Research Aims

Thus far, this chapter has sought to encapsulate the current status of the RBV and identify the gaps within the literature where the theory can best be augmented. While it was established that empirical testing using resource-based logic has been conducted in various academic literatures, the focus of the current thesis concerns two main areas:

- **The Impact of Resources and Capabilities** (Barney & Arikan, 2001) or the Resource Heterogeneity Approach (Newbert, 2007). These areas of research focus on the performance effects of various resources.
- **Firm vs. Industry Effects** (Barney & Arikan, 2001). This body of literature examines industry vs. firm effects in explaining firm performance.

Previous research from Hall (1992, 1993) and Carmeli (2001) were identified as those studies providing important directions for this thesis concerning its basic research design, [single] industry context, and its focus on intangible resources. However, the focus of Hall and Carmeli’s research that pertained to the impact of resources on firm performance was augmented by the approach examining firm vs. industry effects by its use of a multi-level comparative resource analyses.

A number of suggestions were proposed for this study in order to address the limitations apparent in the RBV literature and build on the research from Hall and
Carmeli. However, an additional proposition concerns the use of a new methodology to RBV research. Many resource-based studies to date have been large-scale and have used secondary data and “coarse-grained” variables to proxy intangible resources. Such research has demonstrated the effect of resources on financial outcomes. However, it has been less fruitful in elucidating the unique, rare, and costly-to-imitate resources at the level of the firm where managers convert resources to positions of advantage (Barney et al., 2001). The Q methodology used in the current study capitalises on its qualitative and quantitative components to address the limitations found in previous RBV research.

Finally, a paucity of resource-based and Strategic Management research more generally has ventured outside of the traditional industries (Miller & Shamsie, 1996). It is argued that the most appropriate environment in which to test the RBV is one that offers a new setting so that fresh insights can be gleaned from the theory as a result of utilising it under different conditions (Whetton, 1989). The music industry was presented as a creative industries subset that encapsulates many of the unique characteristics of the creative industries that is shaping our emerging cultural economy.

2.8.2 Implications of the Research

A number of theoretical, practical, and empirical implications can potentially stem from this research. Theoretically, part of improving the RBV as a theory of firm profitability is to link more convincingly the theoretical and research components that have been largely neglected in past RBV research. One way of exploring this linkage is to bring issues of process to the forefront. While resource findings are
compared across multiple levels of industry, special attention is given to the process issues at the level of the firm where managers are engaged in identifying, developing, and exploiting their key resources.

The current thesis also seeks to consider context in its theoretical development of the RBV by using a subset of the creative industries: the music industry. Firms in this largely unexplored industry type are reliant on the kinds of intangible resources that may be evident in the emerging creative economy. Such research is important for the development of the RBV because the unique characteristics of a creative context lend itself to the discovery of new resources and new managerial processes. In addition, an examination of firms in the creative sector provides a valuable way to commence analysing the post-industrial economy. Scholars assert that context has yet to be a focus of RBV research, even though an examination of key resources in particular contexts would be useful in establishing the parameters and contributions of the RBV (Priem & Butler, 2001). Organisational theorist Whetten (1989) argues that using the RBV in a new context has the potential of improving the perspective as a tool and not merely reaffirming its utility (Whetten, 1989).

In a practical sense, through the development of the RBV, managers may be able to attain a fuller understanding of the origins of firm profitability and particularly the intangible resources that are capable of becoming strategic assets. While resource identification is often easy once resources have been developed, managers will glean more insight into identifying resources before strategies are implemented. The RBV will be made more valuable so that managers will be able to better understand facets of resource development and a firm’s relationship to outside competition. The
exploration into how managers understand and use their key resources will improve the utility of the RBV more so than studies investigating “differential performance” that pervade the strategy literature (Cockburn et al., 2001).

Empirically, the mixed-method approach of Q methodology can provide insights not readily available through singular methods typically used in RBV research. It can achieve this by systematically identifying a resource set from a single-industry context, clustering firms within the sample based on their resource preferences, exploring how the resources are understood and applied by managers at the level of the firm, and by facilitating a comparison of outcomes across different levels of analysis.

2.9 Conclusion

This chapter explored the history, prior research, and current status of the resource-based view of the firm. It outlined the developmental limitations of the theory and argued for a consideration of both process and context in this study. Five research aims were proposed in accordance with the gaps in the literature.

The research aims pertained to generating a relevant resource set for the context of interest, identifying the key resource sets across various levels of analysis, and exploring the processes by which managers convert their key resources to positions of advantage. Performance differences were also considered. A multi-level analysis was proposed so that resource emphasis could be compared across the different levels in order to illustrate how methodological choice can affect findings when using the RBV to uncover sources of advantage. The music industry as a subset of
the creative industries was introduced as a particularly suitable context in which to develop the RBV due to its economic prominence, its distinct characteristics, its reliance on artistic creativity, and its neglect in the management literature.

The following chapter outlines the methodology used to address the research aims posed in this thesis. A different methodology was proposed than those more commonly used in RBV research. The following chapter argues that the mixed-method approach of Q methodology is best suited to address the research aims in the current thesis.
3. METHODOLOGY

3.1 Introduction
The previous chapter reviewed the history and current status of the resource-based view of the firm, and situated the present thesis within the diverse literatures using the paradigm. It proposed five research aims in order to augment the RBV as a theoretical tool, and make it a more practical and useful theory of the firm. The purpose of the current chapter is to present the methodology used in the undertaking of this research. This chapter first presents an outline of Q methodology then links the methodology to the research aims from Stage 1 and Stage 2 of the research. A justification of the methodology is then presented, before finally describing in detail how the research was undertaken.

3.2 Q Methodology
Q methodology is a form of pattern analysis that combines qualitative and quantitative methods to examine people’s subjective attitudes, and opinions on a topic (Brown, 1980). The method requires participants to sort statements or items on a topic that have been generated a priori according to their subjective preferences, experiences, or opinions. It then uses the statistical technique of factor analysis to systematically examine the range of responses held by a particular group of individuals. The method further uses the interview process to contextualise and support the responses generated from the Q sort procedure.

Typically in Q methodology, the variables of interest are the persons performing the Q sort and not the statements or items that comprise the Q sample. In analysis, the
emergence of several factors evidences the different perspectives of the sample respondents; those persons who load positively on a given factor are therefore assumed to share commonalities in resource emphasis in their firms and other given factors such as the demographic correlates. In this thesis, the managers on behalf of their firms are “factored”, not the resources.

The technique was invented in the mid-1930s by British physicist-psychologist William Stephenson (1935, 1953), and has become an approach of increasing recognition, particularly in the areas of public administration, political science, communication, and the health and social sciences, where the understanding of complex, intangible properties and processes requires an approach capable of providing insights not available through other methods. The technique departs from positivistic research by allowing for the objective study of human subjectivity and understanding that is evidenced by the dynamic pattern of interrelationships apparent in the completed Q sort. As a measurement tool, Q methodology is a dynamic and robust approach that can generate rich and systematic data.

To better understand the utility of using Q methodology, the method will first be distinguished from “R” methodology, then some of the key principles underlying Q methodology will be discussed.

3.2.1 Q and R Methodology

Q methodology is distinct from “R” methodology in many significant ways. Again, R method refers to the use of the Pearson’s product-moment correlation, \( r \), to the examination of trait or test relationships, and is typified by the conventional survey
or questionnaire approach (Brown, 1980). The main distinctions between Q and R methodology concern differences in their foundations of measurement, basic phenomena, and in their populations and samples (Brown, 1980).

Perhaps the most significant difference between Q and R methods is that which concerns the foundations of measurement between the two factor analytic procedures. Factor systems are understood traditionally to have foundations in just one data matrix containing scores from objective tests such as intelligence or mathematical tests (e.g., Burt, 1937). However, Q method pioneer Stephenson (e.g., 1953) believed that two distinct data matrices were at issue; one containing objective measures (R) and the other containing data of a subjective kind (Q). It was Stephenson’s contention that Q and R could not both apply to a single matrix of scores, since they each referred to different things. From early on, Stephenson (1935) understood Q and R as nonreciprocal and contended that R reflects select populations of persons who have each been measured in tests, while Q represents populations of distinct tests (or essays, traits, photographs or other measurable items), each of which is measured by individuals (Brown, 1997).

Furthermore, while R method reflects individual differences in significance, Q method reflects intra-individual differences. For example, with R method, a person scoring 126 on an IQ test is assumed to be higher in general intelligence than someone scoring 96 on the same test. Thus, the focus is on the variable of interest (intelligence) and a person’s response or test result. In such research, the validity and operational definition given to a rating scale is important because on its own, a statement suggesting person A has a higher score than person B is not meaningful,
nor is there any basis for a correlation unless a standard meaning is already established. Because of these characteristics, large sample sizes are necessary in R method so that any error due to private meanings is cancelled out in the long run, leaving the average as an expression of “true meaning”.

With Q method, differences between scores on the sample items are thought to reflect differences in the degree of importance attributed to that item by the person. A more important item for a person might therefore be rated a +3, instead of a −2. Q method focuses on the relationship between a variable, such as preferences or emphasis, and a stimulus, such as a Q item or statement. Unlike R method, operational definitions are not relevant because items are given meaning after the subject has attributed it. Validity also does not have the same importance in Q method as in R method, because there is no outside criterion on which to judge a person’s subjective point of view. The measurements are carried out by the respondent about his or her own meanings.

Differences between Q and R are also evidenced by the nature of their basic phenomena under investigation (Brown, 1980). R method concerns the objective examination of traits, attributes, or characteristics, whereas Q method is concerned with the entire subjective response whether that is a viewpoint, opinion, conception or so forth. In R method, the variates do not interact. The main focus is on the relationship among variates such as the components of behaviour. A typical R method study might investigate the relationship between two variables such as divorce (x) and depression (y). With Q method, on the other hand, the interest centres around the relationship among variates as represented by the totality of
behaviour, whether that is data produced from several individuals or from one person under various conditions of instruction. Hence, the variates interact in that one interactional setting. A Q method study might examine the relationship between one person’s overall opinion on a topic (x) and other individuals’ overall viewpoint (y) on that same subject matter.

The *population and sample* of the two methods also differ. In R methodology, the population refers to the group of people within a specified boundary, such as “those Australian citizens between the age of 16 and 25”. In contract, the population in Q method refers to the groups of statements, or items that are to be sorted such as the resource items in the current study. While the population in Q method is most often comprised of opinions on various subject matters, populations can also refer to magazine pictures, colour boards, or other stimuli that can be sorted (Brown, 1980).

With R method, the sample is the subset drawn from the population according to criteria such as random or cluster sampling. The elements in the sample are independent and non-interactive in that the persons performing the surveys do so independently. Alternatively, the Q method sample refers to a subset of opinions, items, or other stimuli from the population of interest. The sample elements in Q method are interactive in that the items are compared with one another by the respondent during the Q sort process. The sample may be structured theoretically according to any of the variance designs or may be unstructured, depending upon which is most appropriate for the study.
The differences in the population and the sample of the two methods also reflect a more fundamental difference pertaining to how the approaches are understood. While Q methodology concerns how a particular group of people think about and understand a topic of interest, the focus of R methodology is on the statistical characteristics of people’s attitudes or opinions across a population (Brown et al., 1999). Furthermore, Q methodology is a rich, “intensive” method that seeks in-depth information and insight on a chosen topic from at least one person or a carefully selected sample. Conversely, the extensive R methods seek to determine the understandings of populations through representative samples of them. So, researchers commonly require data from a certain percentage of the population of interest (Brown et al., 1999).

In R method, the random selection of large samples of participants also suggests the findings can be generalised with some degree of confidence (Addams, 2000). Indeed, with R method, generalisations are geared towards showing the more extensive tendencies and potentialities that occur with people across various situations (Brown, 1980). Alternatively, the intensive nature of Q methodology and its reliance on smaller sample numbers indicates that the participants will not be statistically representative of a larger population. However, as reasoned by Brown (1980), generalisations are expected to be valid for the shared perceptions of people whose views cause them to load decisively on a particular factor. The subjective nature of the approach is discussed next.
Self-Reference

A fundamental concern of Q methodology lies with the notion of subjectivity as it engages with various phenomena. Subjectivity involves judgements based on individual personal impressions, feelings and opinions, while objectivity is based on observable phenomena and is not influenced by emotions or personal prejudices. To practitioners of Q methodology, subjective points of view are communicable, self-referent, and amenable to objective analysis provided that the analyses of communication from respondents are unaltered and preserved during the process of data collection (McKeown & Thomas, 1988).

The premise behind Q methodology’s focus on subjectivity is that there is no valid reason for distinguishing artificially between external and internal standpoints, nor for elevating one to a position of scientific supremacy (Stephenson, 1953). Brown (1980) asserts that the traditional scientific method has caused some scientists to assess behaviour in reverse, in that behaviour is studied objectively but not before first controlling the subjectivity by placing limitations on what is to be observed. Brown suggests that it is only after subjectivity is first “released” that behaviour should be studied with “as much objectivity as skill and procedure will permit” (1980, p. 330). Described next is the term for a person’s subjective communications.

The Communication Concourse

Q methodology begins by discovering what there is to be said about the topic of inquiry. This communication, earlier referred to as a “trait universe” by Stephenson (1953), is more commonly referred to as a communication concourse (Brown, 1980). “Concourse” is derived from the Latin word conscio, meaning “sharing what one
knows with someone”, and provides the intellectual foundation upon which Q methodology rests (Brown et al., 1999). Concourse is the flow of communicability surrounding a topic, and is arrived at empirically whether spoken or written during conversations with people, or in other communications such as acting or symbolic gestures (Stephenson, 1986). A concourse may even refer to collections of intangibles or artifacts such as paintings, writings, or musical selections (Brown, 1991). The concourse provides the elements that become the Q sample, which respondents later arrange according to a condition of instruction before being factor analysed and interpreted. The Q sample is further explained in the following paragraphs.

The Q Sample
The Q sample is a group of stimulus items generated from the communication concourse surrounding the topic of interest respondents discuss. The goal of developing a Q sample is to reduce the comprehensiveness of the concourse into a smaller sample that will still be a true representation of the greater communications being modelled (Brown, 1991). The selection of items for inclusion into the Q sample is thought to be more “art than a science”; however, principles exist to provide direction to researchers in the composition of this sample (Brown, 1980).

Q samples may be gathered from a “naturalistic”, or “ready-made” sample, or a combination of both (McKeown & Thomas 1988). Naturalistic samples are obtained through oral or written communication from respondents, while ready-made samples are drawn from external sources such as conventional rating scales or standardised Q sorts. Quasi-naturalistic samples are a type of ready-made sample that are developed
from sources external to the study, such as in-depth interviews that are conducted by a secondary source. Mixed or hybrid scales include items from both naturalistic and ready-made Q samples. No one sample type is superior to the others, since the appropriateness of the sample-type used depends on the nature of the research.

The current study uses a naturalistic Q sample, since the information relating to key resources will be reflected in the schemas of the respondents and is not available via ready-made samples. A benefit of using a naturalistic sample is that the process of Q sorting may be accelerated, since some of the respondents will be better familiarised with the meanings of the given sample as they helped to create it. The main drawback to using naturalistic samples is that the extensive interview process can be relatively time-consuming and inconvenient.

The process of selecting Q sample items from the communication concourse can be achieved through structured or unstructured sampling. Structured samples are developed purposefully and systematically by subjecting Q sample items or statements to design principles that facilitate theory testing (McKeown & Thomas, 1988). Structuring a population of statements or items can be useful, in that it allows the researcher another vantage point from which to think about the items so that the theoretical considerations between items can be more readily apparent (Brown, 1980). However, retaining a “naturalness” to the items is important in Q method, since it is the subject’s perception of the Q sample that is most significant and not that of the researchers’.
In contrast to structured samples, unstructured samples are chosen without efforts to ensure equal representation in the subcategories of a topic. Consequently, opinions surveyed, particularly in attitude research, may be over- or undersampled, thus risking bias in the sample (McKeown & Thomas, 1988). However, the current research chose an unstructured sample for a number of reasons. First, the current study is not one measuring participant “attitudes” on a given topic, so bias is less likely. Second, the focus of the current study concerns the individual resources in the Q sample and how the respondent understands this sample. Thus, it was inappropriate in this circumstance to choose items and structure the Q sample, since the subject’s response becomes interpreted thru the a priori meaning suggested by a scale (Brown, 1980). Third, the paucity of research concerning the key resources of the music industry suggests that it is presumptuous to organise these resources into a larger, representative model for structuring without any knowledge of how the resources are conceptualised in the minds of the respondents. However, results from the current study may direct researchers to develop a structured approach in future research.

Q sample items for the current study were generated from the communication concourse through standardised, open-ended interviews (Patton, 2002). Since resource items and not sample statements depicting certain points of view were required for the Q sample, the structuring of the items was aimed towards arriving at a diverse and representative list of resources that avoided duplicate items. The resultant 34-item Q sample was an appropriate size by Q methodological standards (Addams, 2000). However, the development of the Q sample will be detailed further in the methods section of this thesis.
Next, Q methodology is linked to the research aims that guide this research. As outlined below, the research was conducted over two stages.

3.2.2 Stage 1

The purpose of the first stage of the research was to address the first research aim:

1. To identify the key resources and capabilities from a single-industry sample of music industry firms.

Data were obtained through face-to-face interviews undertaken with managers. The key resources were deduced through the communication concourse through empirical means. Each resource name in the final resource set was written on its own index card so managers could sort them during Stage 2 of the research.

3.2.3 Stage 2

The second stage of the research was linked to the objectives of the second, third, fourth, and fifth research aims:

2. To identify the most emphasised resources across the aggregated range of the industry sample, as based on performance.

3a. To examine the extent to which firms from a single industry can be clustered according to resource emphasis.
3b. To characterise the cluster(s) of firms from within a single-industry context that select similar key resource sets.

3c. To identify the key resource sets chosen by firms within the cluster(s), as based on performance.

4. To compare the outcome of resource emphasis across each level of analysis in high- and low-performance firms.

5a. To identify the firm-specific key resources from across the industry sample that meet the criteria necessary to be strategic assets.

5b. To identify the overlapping key resources chosen by high-performing firms from within the cluster(s).

5c. To examine the distinct ways in which key resources that are common to some high-performing firms within the cluster(s) are understood and used by firms.

Research aims two through five were addressed through analysing the results of the Q sort exercise that required participants to organise the resource cards according to emphasis. Through correlation and factor analysis, the clusters of managers who emphasised similar firm resources were identified from the single-industry sample.
Z-scores were calculated for each resource in high- and low-performing firms across the industry sample and at the cluster levels to facilitate the comparison of resource emphasis across multiple levels of analysis.

Participant interview data that were obtained following the sort exercise were used to augment findings from research aim 3b and to address research aim 5b.

3.2.4 Justification for Using Q Methodology

The current study needed an approach capable of discovering and understanding the basic empirical concepts in a new environment that is particularly reliant on intangible resources. It further needed a methodology capable of identifying an industry-specific resource set and patterns of responses amongst the sample of firms. The present thesis also called for an approach that allowed resources to be compared meaningfully across multiple levels of analysis and one that could inform complex managerial processes.

The use of survey methodology alone, either through mail or telephone, has been used extensively in business research. It can be administered easily, analysed quickly through statistical means, and can be generalisable to a larger population (Marshall & Rossman, 1999). However, used alone, it has little value in research like the current thesis that seeks to discover and understand the basic empirical concepts in an area, explore complex managerial processes, and compare resource findings across different levels of analysis.
Qualitative interviewing as a research methodology has many advantages in that it is ideal for exploring participants’ perspectives on a topic (Rubin & Rubin, 1995), especially like those in the current study that involve complex processes. However, the interview approach, used in isolation, cannot foster an analysis that statistically clusters and compares the range of responses which can be useful in determining and characterising clusters of firm types. Such an analysis is part of what the current study aims to do.

While the case study approach can generate rich data as it relies on multiple data sources (Woodside & Wilson, 2003), the single or few cases involved in this approach would be insufficient for discovering and understanding the basic empirical concepts in a new environment. In addition, the case study methodology would not facilitate a comparison across a number of firms, which is important in the current study.

The qualitative and quantitative approach of Q methodology was proposed as a tool for the current thesis for a number of reasons. First, the initial interview component of Q method can systematically identify a relevant set of key resources in our context of interest, as manager perceptions can proxy firm behaviour (Borch, Huse, & Senneseth, 1999). Past RBV research has tended to use all inclusive resource sets and pre-specified measures that, at times, do not reflect the resources that may be apparent in certain firm or industry types (Johnson et al., 2003; Priem & Butler, 2001).
Developing a relevant resource set is a focus of the current study as it aims to identify and explore the key resources within a subset of the creative industries that is under-explored in management research: the music industry. To date, no comprehensive research of which the author is aware has probed into the various resource types that feature as important within the context of the music industry. Further attention to discovering different kinds of resources can broaden the reach of the RBV (Mosakowski, 1998).

Second, the sorting procedure and subsequent factor analytic component of Q methodology can examine the extent to which the firms within the sample cluster together, or are spread out amongst the various factors as based on their resource emphasis and distinguishing characteristics. As organisational strategist Miller (1978, p. 517) posits, the Q sort procedure (one component of Q methodology) can be used to “derive organizational or context typologies and then to situate hypothesized relationships within specific homogenous contexts”. Furthermore, Q sorting can increase the context specificity in organisational research, instead of aiming to find “the one most popular model which describes the ‘average’ company” (Miller, 1978, p. 517).

Third, while the discovery of “organisational typologies” is important, Q methodology also enables an examination at the level of each individual firm. As noted by Mintzberg (1979), we will not learn much about complex organisations if they are studied en masse; we need to delve into them and explore how the certain variables to which they respond interrelate in the various contexts. While intensive studies of single organisations could assist in this regard, Miller (1978) suggests that
multivariate studies of various organisations through Q sorting will help to show how different contexts influence the relationship amongst variables. Furthermore, unlike traditional methodology, Q methodology allows us to achieve the research aims without the use of large samples, since Q method requires only enough subjects in order to establish that a factor exists (Brown, 1980). Greater sample numbers offer no further validation to outcomes.

Fourth, the later interview component of Q methodology enables the unique and firm-specific managerial processes to be studied, by exploring elements such as why managers emphasise certain resources over others and how managers maximise the value of their key resources. The RBV emphasises that manager viewpoints are important for the theory, since “it is managers that are able to understand and describe the economic performance potential of a firm’s endowments” (Barney, 1991, p. 117).

Unlike traditional methodology that is more suited to investigating the number of people who think similarly about a certain topic, Q methodology can facilitate an in-depth understanding into how and why participants think what they do. The opportunity for the researcher to ask questions and clarify points can provide a deep understanding of the issues in a way that is not afforded by many other methodologies. The interplay between the researcher and the manager participants in Q method can provide a profound and meaningful understanding based on listening to, and interpreting the participants’ experiences (Williams-Jacobson & Aaltio-Marjosola, 2001).
A final reason for the use of Q methodology is that it is an established methodology, particularly in the areas of public administration, political science, communication, and the health and social sciences, where the understanding of complex, intangible properties and processes requires an approach capable of providing insights not available through other methods (Brown, 1980). Whether dealing with policy issues or psychiatric phenomena, Q method has assisted researchers, public administrators, and health professionals in obtaining rich insights into complex issues by identifying groups with conflicting values, preferences, and opinions in order to understand a range of phenomena.

Furthermore, the usefulness, rigour, and dual nature of the methodology have seen it steadily gaining prevalence in many organisation and management journals. While Q method is new to resource-based research, RBV scholars argue that the development of the RBV can be enhanced by deploying “new” methodologies (Barney et al., 2001), particularly those that incorporate both qualitative and quantitative approaches (Lado, Boyd, Wright, & Kroll, 2006). In summary, the dual nature of Q methodology is an ideal means to uncover the origins of profitability that lay in the unique, valuable, and inimitable resources and managerial processes of a given firm.

### 3.2.5 Summary

An overview of the study’s methodology was presented, and it was argued that the mixed-method approach of Q methodology is the most appropriate methodology by which to explore the five research aims concerned with this study. The interview component of the method can identify a relevant resource set from the context of interest and reveal rich, in-depth information about the processes through which the
resources become valuable. Furthermore, the sorting procedure and factor analytic component can enable patterns of responses to emerge regarding firm behaviours and characteristics. Next is an outline of the sampling and procedures employed for Stage 1 and Stage 2 of this research.

3.3 Stage 1

3.3.1 Research Aim 1

1. To identify the key resources and capabilities from a single-industry context of music industry firms.

The aim of the first stage of the research was to reveal the key resources and capabilities from the music industry by conducting interviews with the Stage 1 participant sample. The sampling, procedures, and interview strategy for Stage 1 are outlined next.

3.3.2 Sampling Strategy

While sampling in Q methodology studies is often governed by pragmatic considerations (McKeown & Thomas, 1988), the sampling approach is typically purposive and aimed at injecting diversity into the range of people who will perform the sort (Brown, 1980). Strategically sampling for extant diversity in participants can permit the major factors that are sampled to be revealed.
The main sampling approach employed in this stage of research was purposeful sampling (Patton, 2002). In general, the strength of purposeful sampling lies in selecting information-rich cases for in-depth study (Patton, 2002). Information-rich cases that are selected purposefully can inform researchers about issues of primary importance to the study and can yield in-depth understandings. Empirical generalisation is not an aim of purposeful sampling.

To ensure representativeness, the strategy used for purposefully selecting cases was referred to as maximum variation sampling (Miles & Huberman, 1994; Patton, 2002). This special kind of purposive sampling approach aimed to include a diverse mix of cases in order to “capture and describe” central themes across variation (Patton, 2002). Patton (2002, p. 235) explains that a maximum variation sampling strategy can be used successfully with small samples; common patterns emerging from a diversely varied sample can capture the “shared dimensions of a setting or phenomenon” and can further yield quality, highly detailed descriptions of the cases. A maximum variation sample, if carefully selected, can be as representative as a random sample especially when the sample size is small and when limited information is available about the population being examined.

However, unlike research in the positivist tradition, sampling for variation in Q methodology is not to enable generalisations to be made on the basis of population statistics. The outcome of Q methodology is a model based on the perceptions of the sample employed in the study. However, a broadly representative sample could be illustrative of the perceptions of similar other persons (Brown, 1980), whether expressed across an aggregated sample, cluster level, or at the level of the firm.
Researchers interested in broad-scale generalisations could use the findings generated from the present study as a basis for hypotheses development in future research.

In a few cases, the sampling was not only conceptually driven, but sequentially driven in that some of the participants were directed to the researcher by other participants who recommended that such contact would be enlightening and worthwhile for the purposes of the research. This process is more commonly referred to as “snowball” or “chain” sampling (Patton, 2002). According to Patton (2002), snowball sampling can provide valuable, information-rich informants, as recommended by other informants.

Sampling for variation requires knowledge of the area under investigation. As is the case with many firms within a single industry, the music industry is comprised of firms engaged in a diverse assortment of business activities. As outlined earlier, the music industry represented in this thesis adopts the understanding similar to that used by Tschmuck (2006), in that the music industry is comprised of firms engaged in business activities related primarily to the business of producing and distributing recorded music, as opposed to firms involved with activities concerning music therapy, or exclusively dealing in concert venue hire or instrument sales, for example. While some firms in the sample were engaged in only a few of the activities related to the business of recorded music, others were involved in many. Firms in the sample comprised record labels, distribution firms, promotions companies, artist-management and consultancy firms, and recording studios all
ranging in age and size. Proportional representation was not intended in the sampling procedure.

This profile of activities is similar to those firm types considered in the report produced by the Australian Bureau of Statistics (1997). The sample consisted of record companies and distributors, manufacturers of recorded music, music publishers, sound recording studios, and managers of artists. Excluded in the analysis were concert promoters, venue operators, booking agents, music retailers, performers and songwriters/composers.

Even music industry firms that are similar in type, often undertake different business activities. So, to guide the sample selection, the researcher asked potential informants about their firms and their associated business activities prior to their research participation, so that a sample evidencing variation among firms could be established. The RBV is “not simply a business-level phenomenon” as it applies to a firm’s broad range of activities (Levitas & Ndofor, 2006, p. 141). Thus, sampling for a diverse range of business activities within the music industry was important.

A business activity list was consulted in order to understand more about the range of activities within the music industry. The business activity list was developed by the Queensland University of Technology Creative Industries Research and Applications Centre (CIRAC). The list contained business activities primary to the music industry, and was later modified to become the CIRAC list of Music Industry Codes (CMIC) (Cox, Ninan, Hearn, Roodhouse, & Cunningham, 2004). The firm sample used in this study represented a broad range of these business activities related to the
business of producing and distributing recorded music. Informants also represented a range of music industry firms that varied in size and age. Firm size and age have been assessed routinely in strategy research, and provide a control for a firm’s stage in the developmental process (Mosakowski, 1993).

3.3.3 Sampling Procedure

The participants for this study and details of their firms were identified through Australian websites, where their contact details, such as e-mail addresses, were available. The chief websites that were consulted were the Australian Record Industry Association Ltd. (ARIA), the Association of Independent Record Labels Ltd. (AIR), and Q-Music. Descriptions of these organisations were best summarised on their websites. As directly quoted from the ARIA website:

The Australian Recording Industry Association (ARIA) is a national industry association proactively representing the interests of its members. We have more than 100 members ranging from small “boutique” labels typically run by 1-5 people, to medium size organisations and very large companies with international affiliates.

A description of the AIR organisation is as follows:

AIR is a non-profit, non-government association dedicated to supporting the growth and development of Australia’s independent recording sector. AIR represents Australian owned record labels and independent artists based in Australia. AIR’s primary purpose is to foster an increasing marketplace for Australian independent music and assist in the long-term development, growth and success of Australia’s independent recording industry.
While the former two organisations contain contact details for member firms from all over Australia, Q-Music is specifically a Queensland establishment, the details of which are outlined below:

Q-Music is Queensland’s peak body for the contemporary Music Industry. Q-Music develops, services, and represents all sectors of the Queensland contemporary music industry on national and international levels... Q-Music provides a base from which music industry workers from all sectors and regions can establish networks, create partnerships and share the information that will drive the next generation of Australian music.

Participants were contacted via their e-mail addresses that were available on the Australian websites above. E-mails were directed to the owners or general managers of the firms. Consistent with our purposeful, maximum-variation sampling approach, managers from record labels, distribution firms, promotions companies, artist-management and consultancy firms, and recording studios were targeted and included firms representing different ages and sizes within Australia. Batches of five e-mails were sent out at a time to potential informants. Interest from participants and information relating to the general firm characteristics (e.g., business activity range, age, size) were ascertained prior to sending out further e-mail batches so that certain firm characteristics could be targeted in subsequent e-mails.

The subject line of the e-mails read, “Far-Out Research Project”. The e-mail itself (see Appendix A) contained an introduction to the researcher, a brief overview of the research, and a request for participant volunteers. It also included the option, upon
request, to receive more information about the study. If additional information was requested, a copy of an Information and Consent Form was forwarded to potential participants. This document outlined in more thorough detail the nature of the research, the types of participant involvement, possible risks and benefits to the participant, confidentiality of the data, feedback protocol, and the contact details for both the researcher and the QUT Human Research Ethics Committee in case further queries were sought.

In a few cases, manager participants were contacted by the researcher at the suggestion of other managers that were approached through the aforementioned websites. In these cases, the referred firms were also listed on the websites described above.

The generation of the sample was concurrent with the process of interviewing, so that participants could be sampled until such a time that no new resources were being generated from the interviews. Such a criterion is often referred to as a point of “saturation” (Miles & Huberman, 1994). Sampling size in Q methodological studies varies greatly. However, research suggests that a broadly representative sample of between 20 and 50 participants is appropriate (Sachs, 2000).

3.3.4 The P-Set

The group of participants in Q methodology is referred to as the P-set (Brown, 1980). The P-set for Stage 1 comprised 20 music industry firm owners or general managers (2 female, 18 male) who participated in standardised, open-ended
interviews (Patton, 2002) to determine the resources important to generating firm profitability in music industry firms.

Firm owners or general managers were selected as participants in place of other firm representatives according to a theoretical rationale. In his research investigating intangible resources, Hall (1992, 1993) used the similarly-termed “Chief Executive Officers (CEOs)” as key informants and explained that they are the only executives who can be responsible for the totality of intangible resources in the firm.

As described in the sampling strategy, sampling was aimed at ensuring firms represented a broad range of characteristics and business activities within the nominated domain of music production and distribution. Limited demographic information was procured for this stage of the research, since linking the firms’ demographic characteristics with the key resources cited by their managers was a later research consideration. The sample of firms ranged between 1 and 30+ years, with 11 being the median. Full-time employee numbers ranged between 1 and 30+, with the average being 28. The precise age of firms more than 30 years, and employee numbers over 30 were not revealed, in order to protect the privacy of some of the participating firms.

3.3.5 Procedure

**Interview Strategy**

The purpose of interviewing is so that other people’s perspectives on a topic can be established. Patton (1990, p. 278) explains that qualitative interviewing carries the
assumption that “the perspective of others is meaningful, knowable, and able to be made explicit”.

To review, Stage 1 of this Q methodological study aimed to discover the key resources in the sample of music industry firms. To date, no comprehensive, empirical research of which the author is aware has probed into the various resource types that feature as important within the context of the music industry. Identifying these key resources was the focus of the interview. A later research consideration was in discovering why managers considered the key resources to be important and how they used the resources in order to maximise their firms’ profitability. Thus, the interview during Stage 1 of the research was highly focused.

The approach used to collect qualitative data from informants during Stage 1 of the research is referred to as the standardised open-ended interview (Patton, 2002). As described by Patton (2002), this approach is suitable when the interview is highly focused, and facilitates analysis by making participant responses easy to identify and compare. The approach requires arranging and wording the interview questions carefully prior to interviewing, so that each informant is taken through the same sequence in a similar manner. This approach ensures consistency, and is facilitated by limited probing.

**Interview Protocol**

Data for Stage 1 of the research were collected between January, 2003 and March, 2003. The interview arrangements were organised either through e-mail communications or by telephone. To confirm the interview, an e-mail was issued a
day prior to the arranged meeting. The venues at which the research was conducted were normally the venues selected by the participants as the places from which they most often did business. Researchers (e.g., Balogun, Huff, & Johnson, 2003; Lave & Wenger, 1991) suggest that people are better able to describe and theorise in detail about their strategising practices when they are in the context of where they normally work. In the majority of cases, interviews were conducted from the firm, but other venues included cafés, restaurants, and the participants’ homes.

At the onset of the meeting, the researcher introduced herself and spent some time engaged in small-talk in order to “break the ice”. It was important to establish rapport with the informant in such a way that the neutrality of the researcher was not undermined (Patton, 1990). The researcher conveyed respect, empathy and understanding towards the informants by assuring them that their knowledge and perspectives were important, and that no right or wrong answers existed in relation to the research question. A brief discussion of the research was then provided before the participants were given two copies of the Information and Consent Form; one to sign, the other copy to take home. When the interview commenced, each informant was asked the single research question for this stage of the research:

Can you please discuss the different resources of your firm that are important in contributing to your firm’s profitability?

“Resources” were explained as the various “assets and activities” of the firm. A tape recorder was used so that interview material could be recorded; however, the permission of informants was sought first. Patton (1990) suggests that recording
interviews is important because the researcher can be less distracted by note-taking and more attentive to the person being interviewed. In addition to seeking their permission, informants were advised that tape recording interviews was of value, in that it would assist in obtaining all of the important details of their perspectives. Taped interviews were later transcribed, as it was important for the data analysis process (Patton, 1990).

Handwritten notes were also taken during the course of the interview, so that informant quotes relating to key resources could be recorded. Patton (2002) states that handwritten notes can provide a useful backup in the case of a malfunctioning tape recorder. The author also explains that taking notes can facilitate the later analysis of data, as was the case in the current thesis.

Interview length ranged from 50 minutes to 1 hour and 20 minutes. Key resources were identified through an empirical analysis, as outlined in the results section of this thesis. Stage 2 of the research methodology is described next.

3.4 Stage 2

3.4.1 Introduction

Stage 1 outlined the sampling and procedures involved in addressing the first research question concerning the identification of the key resources in the music industry. Resultant from this stage was an empirically generated list of resources that will be presented in chapter 4 of this thesis. The next stage of the research addressed the outcomes from the Q sort procedure that were determined through the statistical
component of Q methodology and the later interview process. The research aims, sampling, and procedures for Stage 2 of the research are outlined below:

2. To identify the most emphasised resources across the aggregated range of the industry sample, as based on performance.

3a. To examine the extent to which firms from a single industry can be clustered according to resource emphasis.

3b. To characterise the cluster(s) of firms from within a single-industry context that select similar key resource sets.

3c. To identify the key resource sets chosen by firms within the cluster(s), as based on performance.

4. To compare the outcome of resource emphasis across each level of analysis in high- and low- performance firms.

5a. To identify the firm-specific key resources from across the industry sample that meet the criteria necessary to be strategic assets.

5b. To identify the overlapping key resources chosen by high-performing firms from within the cluster(s).
5c. To examine the distinct ways in which key resources that are common to some high-performing firms within the cluster(s) are understood and used by firms.

The findings from the Q sort procedures that were administered during Stage 2 of the research was factor-analysed to reveal the clusters of firms within the single-industry that share commonalities in resource emphasis and certain demographic features. Firm performance categories were also established, and Z-scores were calculated for each firm’s resource preferences so that resource emphasis could be compared across performance categories. The sampling and procedures for Stage 2 follows.

3.4.2 Sampling Strategy

Each of the informants from Stage 1 of the research was invited to participate in Stage 2 of the study. However, not all participants from Stage 1 could participate in Stage 2 of research. So, more subjects were sought for Stage 2 of the study so that, as in Stage 1, the sample could be broadly representative of the target industry (Brown, 1970). Brown (personal communication, 2006) states:

Whether the Q sorters are the same individuals who provided the Q sample statements is not an important issue. The key concept is 'representativeness'—representativeness in the sample of statements in the Q sort, and representativeness in the sample of persons in the P-set. It is diversity on both sides of the stimulus-response situation that creates conditions for revealing the factors that are issue in the subject matter under consideration.
In order to secure more participants, the websites consulted upon previously in Stage 1 of the study were referred to. As before, the websites included those of Q-Music, ARIA, and AIR, as described in the Stage 1 sampling strategy.

As in Stage 1, the sample for Stage 2 of the research aimed at selecting a diverse mix of information-rich cases into the sample of firm managers performing the sort (Brown, 1980). Accordingly, purposeful, maximum-variation sampling (Miles & Huberman, 1994; Patton, 2002) was also employed in Stage 2 of the research so that in-depth, robust material could be generated in relation to music industry resources and their usage.

As in the first stage of research, “snowball” or “chain” sampling (Patton, 2002) was occasionally used to guide sample selection. A few informants were selected for participation in the study because they were recommended to the researcher by other informants. This approach added value to the sample and was helpful in locating “information-rich” informants (Patton, 2002).

As in Stage 1, the focus of sampling was on generating a broad cross-section of music industry firms engaged in business activities related primarily to the business of producing and distributing recorded music, as understood by the Australian Bureau of Statistics (1997) and Tshmuck (2006). Again, this sample comprised record labels, promotions companies, distribution firms, artist management or consultancy firms, and recording studios. In this stage of the research, 56% of the sample comprised record labels ranging in size, age, and activities. The remaining
percentage represented the balance of firms outlined above. Proportional representation was not intended in the sampling procedure.

Music industry firms, even those that are similar in type, often undertake different business activities. Sample selection was guided by asking potential informants about their firms and the associated activities prior to research involvement so that variation among firms could be established. The business activity list used as a guide in Stage 1 of the study was also used during Stage 2. As described in Stage 1 of the research, the list was developed by CIRAC (modified version in Cox et al., 2004) and contained business activities primary to the music industry. The firm sample used in this study represented a broad range of these business activities from our domain of interest. As in Stage 1 of the study, informants represented a range of music industry firms that varied in size and age.

3.4.3 Sampling Procedure

Data for Stage 2 of the research were collected between June, 2003 and October, 2003. As outlined in the previous section, informants from Stage 1 of the research were invited to participate in Stage 2 of the study. New participants were contacted via their e-mail addresses which were available on the music industry websites outlined earlier. In addition, some informants’ details were provided by other participants in the study and followed up by the researcher.

For potential new informants, e-mails were directed to the owners or general managers of the firms. As before, e-mails were entitled “Far-Out Research” and contained a brief overview of the research and a request for participant volunteers. If
more information was requested, a copy of an Information and Consent Form was forwarded to participants. A description of this document is outlined in Stage 1.

Since part of the Stage 2 sample was comprised of firms from Stage 1, certain firm types were targeted in Stage 2 in order to ensure that the sample was broadly representative of music industry firm types and activities. Again, managers representing record labels, distribution firms, promotions companies, artist-management and consultancy firms, and recording studios were targeted. This approach was consistent with the study’s use of purposeful, maximum variation sampling. Batches of around 5 e-mails were sent out at a time to potential informants whose firms likely met the target criteria. Interest from participants was ascertained prior to sending out further e-mail batches so that certain firm types and characteristics could be targeted in subsequent e-mails.

For those persons selected for participation in the research, face-to-face data collection arrangements were organised via e-mail. A confirmation e-mail was sent out one day prior to the arranged meeting.

3.4.4 The P-Set

Fourteen of the 20 firm owners or general managers from Stage 1 representing different firm types and activities were available to participate in the sorting exercise and interview component in Stage 2 of the research. An additional 20 participants were selected according to the principles of maximum variation sampling (Miles & Huberman, 1994), since it was important to generate a sample that was broadly
representative of our target population (Brown, 1970). The total of 34 participants is an acceptable number for Q methodological studies (Sachs, 2000).

Across the population of 34 participants, 32 were male and two were female. In lieu of requesting the age of the participants, which was deemed potentially too offensive, years experience working in the music industry was ascertained. The range was from 2 to 43 years with 17 years as the median.

The age of firms ranged between 1 and 30+ years, with 10 years as the median. Full-time employee numbers ranged between 1 and 30+, with the average being 19. The specific age and employee numbers of firms older than 30 years was not specified in order to respect the privacy of larger, participating firms as only a small number of them exist in Australia. In comparing the Stage 2 means of firms’ age and size with that of Stage 1, the median firms’ age was similar (Stage 1: 11; Stage 2: 10); however, some difference existed in employee numbers, illustrating firm size (Stage 1: 28; Stage 2: 19). Since the proportion of larger music industry firms also participated in Stage 2 of this research, the difference in mean employee numbers is likely due to the larger sample size in Stage 2 and the increased participation of some of the smaller firms.

Other demographic information that did not form the basis of sampling, but was later determined included firm type; managers represented firms that were described as Sole Trader (21%), Partnership (24%), Publicly Owned Incorporated Company (i.e., listed on the stock exchange; 12%), Privately Owned Incorporated Company (i.e., not listed on the stock exchange; 41%) and Other (3%). Fifty-three percent of the
managers interviewed also reported having a second income. Managers worked between 3 and 80 hours per week at their music industry position, with the median 43 hours per week.

3.4.5 Procedure

This stage of the research used the 34 resources that were generated from Stage 1 of the research. The 34 resource names (exactly as they appear in Table 2) were written in black felt pen on separate index cards so that they could be sorted in order of emphasis by the participant sample. Subsequent to the sorting exercise, participants were interviewed about the placement of the resource items so that their own implicit values and preferences could be ascertained. The data obtained from the participants were later subjected to factor analysis so that similarities in resource emphasis could be determined by the way the various firms clustered together.

To begin this process, the investigator presented participants with the deck of 34 Q sample resource items that appeared on index cards. Prior to the sorting procedure, participants were provided with a working definition of resources, as “those assets and activities of the firm”, and were advised that all resources listed on the index cards were to be interpreted at the level of the firm. That is, they were informed that the resources on the cards should be understood as those resources that may be generally emphasised by the firm, whether by a single person or a group of people within the firm.
Participants were then instructed to look over the resource cards and familiarise themselves with the resources. If any resource items were unclear, participants were encouraged to ask questions. The researcher then instructed each participant to:

Please rank which resources your firm currently emphasises the most in order to maximise its financial performance.

Each participant, as instructed, subsequently sorted the index cards in one of 7 columns that ranged on a continuum from +3 (most emphasised), 0 (neutral), and –3 (least emphasised). A full-sized index card with a sorting grid diagram was shown to respondents so that they could visualise the number of resources that were to be organised in each column. Table 1 presents an illustration of this quasi-normal distribution. The distribution forced participants to place three items under the +3 and –3 columns, four items under +2 and –2, six items under +1 and –1, and finally eight items under the middle column, 0. Participants were given the option of first grouping the resources into piles in accordance with the conditions of instruction then sorting the cards along the quasi-normal dimension. Questions or comments to the researcher were encouraged.
Table 1

**Structure of Q Sort**

<table>
<thead>
<tr>
<th>“most emphasised”</th>
<th>“neutral”</th>
<th>“least emphasised”</th>
</tr>
</thead>
<tbody>
<tr>
<td>+3</td>
<td>+2</td>
<td>+1</td>
</tr>
<tr>
<td>0</td>
<td>–1</td>
<td>–2</td>
</tr>
<tr>
<td>–3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Upon completing the sort, 34 items appeared in front of the participant for their reconsideration. Resource items selected as most emphasised by their firm were placed to the extreme left of the sorting distribution, those items least emphasised by their firm placed to the extreme right, and the more neutral resources falling
somewhere in the middle. Participants were advised that they could alter the placement of resources at any stage until they felt the distribution best illustrated their perspective.

After participants finalised their sort, it was important for the investigator to record the placement of each resource item so that they could be correlated and factor analysed with the other sample sorts. Thus, the researcher recorded the resource items and their placement in the distribution with the assistance of the numbers that were placed on the flipside of each resource card.

Subsequent to the recording of the resource items, informants were interviewed in order to explore the “how and why” questions that related to the key resources, and the processes involved in maximising their potential. The interview questions posed to each participant is presented below:

- Why did you choose [each of the top three resources] as your most emphasised resources?

- How does your firm maximise the potential of each of these three resources?

As in Stage 1 of the research, the interview strategy employed during Stage 2 was the *standardised open-ended interview* (Patton, 2002). As previously discussed, this approach requires the generation of carefully-worded questions prior to the interview, and standard probing so that each person interviewed is taken through the same sequence in a similar way. The approach is suitable for highly-focussed
interviews, and facilitates analysis by making informant responses easier to identify and compare.

These questions were followed with the administration of a questionnaire that sought a wide range of demographic information from the participants and their firms, including firm performance. A discussion of the demographic questionnaire is outlined below, as is a description of the firm performance measure.

3.4.6 Demographic Questionnaire

A number of background questions were included on the demographic questionnaire in order to identify the various characteristics of the managers and firms being interviewed (Patton, 2002).

Having consideration for the possible effects of background variables is particularly important in RBV research, because they can interact with main variables and influence any outcomes, including the degree to which generalisability may be possible. Gibbert (2006) cites Calder, Phillips, and Tybot (1982, p. 241) who observe the following:

The set of background factors that could interact with treatments is infinite. Moreover, there is no a priori basis for even the most astute researcher to specify which of these factors will have an impact. Nor is there any logical way of prioritising these variables.

In relation to the firm, its business activities, age, business type (e.g., sole trader), and employee numbers were ascertained. In relation to the manager or firm owner, a
number of demographic questions were posed, since understanding “what makes firms different requires an answer to the question of what makes managers different” (Adner & Helfat, 2003, p.: 1013). For example, research suggests that variables such as industry experience and education level can explain performance differences in firms (e.g., Knott, 2003). Thus, the years of industry experience, the formal education level, the hours worked per week, other employment, and whether the manager is an artist in his or her own right were queries asked.

3.4.7 Establishing Firm Performance

Resource-based studies typically use some measure of financial firm performance as the dependent variable (Ray et al., 2004). Firms with a marked performance difference over their competitors are said to be improving the effectiveness and efficiency of their resource use in ways that competing firms are not. Barney (1991) refers to this understanding of firm performance as a “competitive advantage”. The complicated nature of the performance and competitive advantage relationship are addressed further in the discussion section of this thesis.

In this thesis, financial performance was measured across the sample of firms by using an instrument first developed by Gupta and Govindarajan (1984). The modified version of the instrument used in this thesis is from Covin and Slevin (1989) that was published in the Strategic Management Journal.

The instrument asks respondents to rate on a five-point Likert-type scale (from “of little importance” to “extremely important”) the degree of importance their firm attaches to the following nine performance criteria: sales level, sales growth rate,
cash flow, return on shareholder equity, gross profit margin, net profit from operations, profit to sales ratio, return on investment, and ability to fund business growth. The respondents were subsequently asked to rate on another five-point scale (from “highly dissatisfied” to “highly satisfied”) the extent to which their firms’ top managers are presently satisfied with their firms’ financial performance on each of the nine performance criteria listed above. These scores related to “satisfaction” were multiplied by the “importance” scores so that a weighted average performance index could be computed for each of the firms. The possible range for this index is between 1 and 25; however, the range of the index in the present sample was 3.44 to 16.67 and the mean value was 10.45.

Following other researchers (e.g., Piercy, Cravens, & Morgan, 1998), high- and low-performance categories of firms (both across the industry sample and at the cluster levels) were established by dividing the samples of firms by approximate thirds based on their performance score from the Covin and Slevin (1989) measure. High versus low comparisons were made using the highest third and the lowest third of the sample. Firms falling within the median range were excluded from this analysis so that a stark comparison between performance differences between firms in each group could be observed (Rouse & Daellenbach, 1999). The following chapter presents the findings from Stage 1 of the research.
4. KEY RESOURCE FINDINGS

4.1 Introduction

The previous chapter presented an overview of the methodology used in the undertaking of this research. It outlined and justified the use of Q methodology, and described in detail how the research was undertaken in two separate stages. This chapter presents the findings from the first research aim, which comprises Stage 1 of the research. This research aim is presented next.

4.2 Research Aim 1

1. To identify the key resources and capabilities from a single-industry sample of music industry firms.

In order to address this research aim, this section outlines how the key resources were empirically derived from the participant interviews. First, a rationale for an abductive approach to qualitative analysis is presented, followed by a description of how the key resources were revealed through the process of content analysis. Finally, the resultant resource set is presented.

4.2.1 Qualitative Analysis: An Abductive Approach

To review, the aim of the present thesis was to use the framework of the RBV in order to identify or “discover” the key resources of the music industry and “understand” their usage in that environment. In addition, a multiple-level analysis was conducted in order to better understand the implications of methodological choice and the RBV. The underlying purpose of this thesis affects the way in which
data is evaluated. Researchers (Lado et al., 2006) argue that integrative research that makes use of both positivist and interpretive methodologies is needed in RBV research that seeks to discover and understand, rather than just empirically validate.

A deductive approach to qualitative analysis is most closely tied to the positivist tradition and uses an existing theoretical framework to assist data analysis, whereas an inductive approach involves the discovery of patterns, themes and categories that emerge from one’s analysis (Patton, 2002). The current thesis takes an abductive, or “logical” approach to analysis that combines the deductive and inductive models of proposition development and theory construction in order to understand new phenomenon (Denzin, 1978). Using an abductive approach allows the researcher to move back and forth between approaches in order to (a) develop theory and understand new phenomenon, and (b) test or evaluate this theory.

Using an abductive approach to analysis is consistent with the methodological purpose of Q methodology. Brown (1980, p. 31) reflected on the early insights of Stephenson to suggest that “one of the virtues of Q methodology is that it permits the emergence of unanticipated behaviour, thereby encouraging the abduction of new explanations and the growth of more general theories”.

4.2.2 Content Analysis

While definitions vary, content analysis is the process of reducing data qualitatively so that sense-making can begin by identifying the core consistencies and meanings that emerge from the data (Patton, 2002). The main purpose of Stage 1 of the research was to develop a comprehensive and representative key resources set that
managers use to enhance profitability for their firms. The distinct resources can be referred to as “themes” as they take a categorical or topical form. Resultant from this data reduction process is a set of key resources that will be sorted by managers during Stage 2 of the research.

Content analysis commenced first through the process of inductive analysis. Inductive analysis concerns how patterns, themes, and categories emerge from the qualitative data as opposed to when data are evaluated through an existing theoretical framework (Patton, 1990). In Stage 1, inductive analysis was used in order to discover the key resources that emerged from the interview data with music industry managers. In accordance with the principles of Q methodology, the identification of the different resources was key to this stage of the research; meanings and interpretations were given to the resources by each individual participant during the second stage of the research, as it is their own particular understandings that are important in Q methodology.

The first step in analysis was to reduce the volume of information from the interview transcriptions and field notes. Transcripts from participant interviews were coded in monothematic chunks of sentences (Miles & Huberman, 1994) that contained the key resources and capabilities of the music industry as identified by the sample. Material was coded in chunks as opposed to fully transcribed in order to avoid the “dross” material that was unrelated to the single research question. Therefore, the units of analysis for coding in this stage of the research were the chunks of sentences that identified and pertained to the discussion of the resources.
To assist with coding, “start list” codes (Miles & Huberman, 1994) were used from the conceptual framework (Barney, 2002; Fernandez et al., 2000; Hitt, Ireland, & Hoskisson, 1997). While qualitative methods prescribe freedom from preconceptions in order for evidence to emerge naturally, qualitative researchers suggest problems in undertaking research without some concept of how data will be grouped. For example, Miles and Huberman (1994, p. 65) argue that creating a “start list of codes prior to fieldwork is helpful [as] it forces the analyst to tie research questions or conceptual interests directly to the data”. In addition, start list codes can provide a structure within which to become familiar with the data so that meaningful data interpretation can be facilitated (Eisenhardt, 1989). The start list codes used in the current thesis were drawn from the conceptual framework and collectively represent a comprehensive range of intangible resource categories within organisations.

Start list codes were as follows:

*Human Resources* “includes the training, experience, judgement, intelligence, relationship, and insight of individual managers and workers in a firm” (Barney, 2002, p. 56). The worker need not necessarily be an entrepreneur or senior manager, but might work in certain areas of a firm where their unique talents and skills are paramount to the success of the organisation. In the current study, human resources represented the *Capabilities of the Artists* and the *Entrepreneurial Capabilities* of a key player or players within the firm.

*Relational/Reputational Resources*, are those resources consisting of “the potential derived from the intangible resources related to the marketplace”
(Fernandez et al., 2000, p. 85). In the current thesis, resources contained in this category included *Firm Reputation, Relations with the Artist*, and *Consumer Loyalty to the Artist or Product*, among others.

*Technological/Innovative Resources* are described as “knowledge related to the access, use and innovation of production techniques and product technology” (Fernandez et al., 2000, p. 84). The *Use or Development of New Technology, Contracts and Licenses*, and *Copyrights* are examples of resources in the current thesis that fit into this category.

*Organisational Resources* relate to attributes belonging to collections of individuals or teams within the firm (Barney, 2002). Such resources in the present study included *Shared Vision and Culture* and *Networking Activities*, among others.

To ensure the reliability of the coding efforts, the transcriptions were double-coded. Both coders independently identified the resource(s) from each chunk of data then placed the resource under one of the start list codes described above which enabled the researchers to organise the resources into a relevant framework for understanding and communicating the essence of what the data reveal (Patton, 1990).

To further assist the reliability of the coding, both researchers were familiarised with the coding protocol. In accordance with the research question, the aim was to discover the key resources of the music industry that can potentially generate firm profitability. However, it was important to identify the main resource being discussed rather than extrapolate to include all the descriptive and inferential
qualities cited along with the resource as separate resources. Such a fine-grained
analysis could potentially result in a resource set comprising hundreds of resources.

Resources were selected that were fairly distinct to each other as it served to
“minimise the constraining effects of the design” and tended to better “[approximate]
representativeness in a methodological sense” (Brown, 1980, p. 189). Selecting the
population of resources also required that the researcher choose items that bring to
light different aspects of the theory. Thus, while the qualitative approach to
interpretation typically cautions against the biases and preconceptions of the
researcher (e.g., Reinharz, 1992), analysis in Q method can be seen to embrace the
subjectivity of the analyst. This approach is not unlike Walkerdine (1997, p. 59) who
argues that, rather than trying to do the impossible and avoid responding to
qualitative material, “we should think more carefully about how to utilise our
subjectivity as part of the research process”.

To remind the reader, it was important to generate an exhaustive list of resources as
identified by our sample respondents. While it was not an aim to generalise beyond
music industry firms, it is possible that the resultant resource list could generalise to
other firms that are similar to those used in the current sample (Brown, 1980).
However, it is not expected that findings will generalise across all populations from
the target population of interest. Distinctions in generalising to and generalising
from are detailed by Cook and Campbell (1979, p. 7) and Levitas and Ndofor (2006,
p. 142).

Check-coding for definitional clarity and reliability were undertaken by the two
coders after independently examining the first five pages of monothematic chunks of sentences from the transcripts, and after about two-thirds of the way through the coding analysis (Miles & Huberman, 1994). Because a standardised open-ended interview (Patton, 2002) approach was used to generate data, the resulting information was somewhat focussed, thereby facilitating analysis by making participant responses somewhat straightforward to identify. The inter-coder reliability, which refers to the percentage of agreement between coders, was over 80% for each section of the transcriptions. However, most discrepancies between coders related to slight differences in the labelling of some resources, not differences pertaining to resource types.

For example, under a chunk of data relating to the *Capabilities of the Artist*, the coders initially tended to identify the various descriptive aspects of a resource (e.g., the talent, passion, or innovative abilities of the artists). However, it was deemed important to assign the single most “encompassing” name to a resource since that is what was ultimately required: a distinct and relevant set of music industry resources that would later be sorted by participants according a condition of instruction. Discrepancies in coding were resolved by viewing the monothematic chunks in the transcriptions, discussing the differences, and then mutual agreement.

Below are some examples of data chunks from Stage 1 that were identified by the coders and later included in the key resource set:
Entrepreneurial Capabilities

An entrepreneur. A passionate visionary. Someone who’s still obsessed with music. They know not just about bands but about different producers, they know the stories behind all the great labels…They have a certain philosophy or an identifiable trait – have a person at the helm of the label who has an aura about them…. (Case #5.)

Collaborations With Other Firms (e.g., Joint Ventures)

Right now one of the biggest contributions to our success is a joint venture we have… It was just fortuitous that my predecessor did a deal with those two companies, so by virtue by being here at [the company] we derived an enormous profit. (Case #12.)

New Process Developments (New Ways of Doing Things; New Ways of Thinking)

New systems and processes are developed so although the process is generic within the industry, the way we apply them—we’ve developed ourselves. So there’s a fair amount of ingenuity in the way we do things. If they threw us all out and got a new team in, it would take them quite a while to be able to duplicate what we do. (Case #16.)

Shared Vision and Culture

To be a successful company, I think you need to have the kind of culture that works for the type of business that you’re in. For our business, it’s really about having a
love of music, enjoying being involved with musicians and creative people and believing in music as an art form in Australia... (Case #17.)

*Credibility in the Marketplace*

We don’t have the financial capital of some companies so we have to do what we’re doing with real *credibility*. (Case #13.)

*Sales Activities*

It’s all in how well you *sell* to them [the big retailers]... they will take a particular artist if it’s... sold to them the right way. (Case #14.)

Although there was commonly variation in the names attributed to some of the resources, when possible, the natural language of the respondents was preserved for better clarity (Brown, 1980).

The resource list was modified by reduction to avoid doubling up on resources that appeared very similar. In addition, resources needing their own identity were partitioned (Miles & Huberman, 1994). For example, while Artist Development and Artist and Repertoire (A & R) Activities may seem similar, informants seemed to distinguish between the two resources: Artist Development was used to describe how managers “develop” their acts in terms of image, sound, marketability, and so forth, while A & R Activities was used to describe the process of discovering/identifying new acts, as outlined below from the Stage 1 interviews.
**Artist Development**

Working with [artists/bands] to *develop* a sound that is marketable and that has a market audience in Australia and that’s exportable as well…. Presenting those artists so that they capture people’s imagination. (Case #2.)

**A & R Activities**

It’s *identifying* talented people and trying to attract them to our company and sign them to a publishing deal…. (Case #12.)

Some resources were subsumed into more general categories (Miles & Huberman, 1994). For example, while different facets of *Networking Activities* were identified in the data (e.g., networking as “knowing people” and international networking), the coders decided that the differences pertained to how networking was undertaken by the managers, thus did not constitute separate resources. Managers would be able to describe their own particular networking activities later on in the interview component of Q method. Below illustrates two distinct examples of *Networking Activities*.

**Networking Activities**

Part of *networking* is just knowing people. I’ve never done much that’s been career oriented but I hang around clubs late at night and I’ve breathed in too many other people’s cigarette smoke…. I mostly know people from hanging around but
sometimes it’s a conscious decision to go out there and meet people to try and get their support for the work. (Case #2.)

[Our] international networks are fantastic for the company… whereas some labels rely on the power of pestering…. (Case #15.)

The outcome of these minor modifications was a more manageable and comprehensible set of resources for the later Q sort procedure. In order to ensure comprehensiveness across the Q sample, literature from the music industry (e.g., Gander & Rieple, 2004; Jackson & Oliver, 2003; Naghavi & Schulze, 2001; Sadler, 1997) and intangible resource literature (e.g., Carmeli, 2001; Eisenhardt & Martin, 2000; Fernandez et al., 2000; Hall, 1992, 1993; Michalisin et al., 1997) were perused so that major omissions of potential “key” resources to the music industry could be avoided. Augmenting Q samples in Q methodological research is deemed appropriate when researchers, based on “instincts” or “experience”, feel additional inclusions are important to ensure the comprehensiveness of the Q sample (Kinsey & Kelly, 1989). However, the inclusion of additional resources from outside of the standardised open-ended interviews was not required in the current thesis. While some resources new to the RBV literature were identified in the present study, these resources are presented in the discussion of this thesis.

The final resource set was viewed by an industry expert to ensure that the Q sample contained the following important characteristics proposed by Stainton Rogers (1995): (i) Balance; (ii) Appropriateness and applicability to the issue; (iii) Intelligibility and simplicity; and (iv) Comprehensiveness.
Consistent with the study’s aim to focus on the more micro aspects of process research, many micro resource facets identified in the current research provided a rich characterisation and contrast to the macro resource categories used in the start list codes, and at times featured as “resources” in other research. Other resource literature (e.g., Hall, 1992, 1993) has not identified as many micro aspects of resources that could feature as important in organisations.

The Q sample generated from the Stage 1 interviews numbered 34, which is appropriate by Q methodology standards (Sachs, 2000) and also similar in size to research discussed in other Q method literatures (e.g., Brown et al., 1999). The importance and meaning of the resources are gained subsequent to the Q sort procedure during Stage 2 when managers are interviewed in regard to why and how they use their most emphasised resources.

The final resource list appears below:
<table>
<thead>
<tr>
<th>MACRO Start List Codes</th>
<th>MICRO Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resources</td>
<td>• Capabilities of the Artist</td>
</tr>
<tr>
<td></td>
<td>• Entrepreneurial Capabilities</td>
</tr>
<tr>
<td>Reputational/Relational Resources</td>
<td>• Quality Standards and Professionalism</td>
</tr>
<tr>
<td></td>
<td>• Business Relations—with suppliers, distributors, etc.</td>
</tr>
<tr>
<td></td>
<td>• Credibility in the Marketplace</td>
</tr>
<tr>
<td></td>
<td>• Trustworthiness and Dependability</td>
</tr>
<tr>
<td></td>
<td>• Customer Focus</td>
</tr>
<tr>
<td></td>
<td>• Consumer Loyalty to Artist or Product</td>
</tr>
<tr>
<td></td>
<td>• Relations with Artist</td>
</tr>
<tr>
<td></td>
<td>• Reputation of Firm</td>
</tr>
<tr>
<td>Technological/Innovative Resources</td>
<td>• Copyrights</td>
</tr>
<tr>
<td></td>
<td>• New Process Developments</td>
</tr>
<tr>
<td></td>
<td>• The Use or Development of New Technology</td>
</tr>
<tr>
<td></td>
<td>• Trademarks</td>
</tr>
</tbody>
</table>
| Organisational Resources | • Contracts/Licenses

- Artist Development
- Decision-making Capabilities
- Shared Vision and Culture
- Collaborations with Other Firms
- Databases
- Ability to Manage Change
- Controversial Capabilities
- Strategic Goals/Planning
- The Use or Knowledge About Customers/Competitors
- Time Management
- Commitment to Learning
- Networking Activities
- Risk-taking Propensity
- Pricing/Low-cost Strategy
- Sales Activities
- Marketing and Promotions Activities
- A & R Activities
- Legal Knowledge
- Tacit Knowledge |
4.3 Summary

The purpose of this chapter was to present the findings from Stage 1 of the research concerning the identification of the key resources and capabilities from the music industry context. An abductive, or “logical”, approach to analysis was taken that combined the deductive and inductive models of proposition development and theory construction.

Through the process of content analysis, a key resource set of 34 resources was deduced from the standardised, open-ended interview material with manager participants. In generating the Q sample, comprehensiveness was ensured across the sample of firms by using a purposeful, maximum-variation sampling approach. Representativeness of resource items were sought so that the sample of resources could reflect the diverse viewpoints of the participant sample and potentially shed light on different aspects of the theory.

The resource list generated from Stage 1 of the research contained a broad range of resources and capabilities that were Q sorted by managers according to emphasis. In the following chapter, the outcomes of the Q sort are revealed and compared across the industry and cluster levels, by performance. The firm-level analysis is presented in chapter 6.


5. INDUSTRY- AND CLUSTER-LEVEL FINDINGS

5.1 Introduction

The previous chapter presented the findings from Stage 1 of the research. Thirty-four key resources and capabilities were identified from the single context of the music industry. The purpose of this chapter is to reveal outcomes from the Q sort by addressing research aims 2 to 4 from Stage 2 of the research. These research aims concerned identifying the key resources across the industry sample, establishing whether clusters of firms can be deduced from the industry sample based on resource emphasis, and characterising any resultant clusters. Finally, this chapter presents a comparison of resource findings across the industry and cluster levels. Performance differences were considered at both the industry and cluster levels. Research aim 2, outlined below, commences this examination.

5.2 Research Aim 2

2. To identify the most emphasised resources across the aggregated range of the industry sample, as based on performance.

Identifying the key resource findings, by performance, across the aggregated range of the industry sample is one level of the multi-level industry analysis examined in this thesis. In order to address this research aim, this section begins by outlining how the firm performance categories were established across the aggregated sample. Then, it is shown how z-scores were calculated for the resources in each performance category so that resource emphasis could be established within each
ambit. Finally, the most emphasised resources across the industry sample in both performance groups are presented.

5.2.1 Categorising High- and Low-Performance Firms

As detailed in the methodology section of this thesis, firm performance was established using an instrument from Covin and Slevin (1989) that was published in the *Strategic Management Journal*. Following other researchers (e.g., Piercy et al., 1998), the sample group was divided into approximate thirds based on their performance score, and high versus low comparisons were made using the highest third and the lowest third of the sample. The middle group was excluded from analysis, so that a stark comparison between performance differences between firms in each group could be observed (Rouse & Daellenbach, 1999). However, while the groupings facilitated the comparison of performance, they do not evaluate whether the performance of firms was satisfactory or unsatisfactory.

Eleven firms were allocated to the high-performance category and eleven firms were allocated to the low-performance category. Ten firms in the middle range were excluded from analysis, as were two firms due to missing performance data.

5.2.2 Categorising Resources as “Most-Emphasised”

In order to establish the “most emphasised” resources across the aggregated industry sample, z-scores were calculated through SPSS analysis for each resource in the high- and low- performance groups. The calculation of z-scores establishes how many standard deviations away from the mean each resource was, thus showing which resources were emphasised more than others in each performance group. Z-
scores of at least 1.00 were used to determine the most emphasised resources within each category. Using a cut-off point of 1.00 to establish significance is consistent with other research (e.g., Plane & Heins, 2003).

5.2.3 Findings: Most Emphasised Resources in High- and Low-Performance Firms

Table 3 below shows the resource sets unique to firms in the high- and low-performance groups across the aggregate range of a single industry, as evidenced by their z-scores. While the high- and low-performance groups each evidenced distinct resource preferences, only Marketing and Promotions was shared by both performance groups. Interestingly, both performance categories across the aggregated sample are reliant on resources falling under three of the four start list codes: Reputational/Relational Resources, Organisational Resources, and Human Resources. No resources were found in either performance category relating to Technological/Innovative Resources.
Table 3

Most Emphasised Resources Across the Industry Sample, by Performance

<table>
<thead>
<tr>
<th>Resources emphasised by high-performing firms</th>
<th>Resources emphasised by low-performing firms</th>
<th>Resources found in both firm categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>A &amp; R Activities** (1.17)</td>
<td>Quality Standards &amp; Professionalism* (1.92)</td>
<td>Marketing &amp; Promotions** (1.98, 1.01)</td>
</tr>
<tr>
<td>Entrepreneurial Capabilities*** (1.08)</td>
<td>Trust &amp; Dependability* (1.37)</td>
<td></td>
</tr>
<tr>
<td>Customer Focus* (1.17)</td>
<td>Relations with Artist* (1.55)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Firm Reputation* (1.28)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tacit Knowledge*** (1.18)</td>
<td></td>
</tr>
</tbody>
</table>

Notes:  
(a) Reputational/Relational Resources *  
(b) Organisational Resources **  
(c) Human Resources ***  
(d) Z-scores are in brackets

5.2.4 Summary

Many RBV studies to date assess the value of resources across aggregated data, attempting to identify those resources associated with high-performance firms. Such research focuses less on evaluating the differences between resource emphasis in both high- and low-performance firms.
The purpose of the current research aim was to uncover the most emphasised resources across the aggregate level of a single industry, in both high- and low-performance firms. The findings presented here are a first step in considering resource outcomes across different levels of analysis. Cluster- and firm-level analyses are presented later in the results.

Outcomes from the current research aim showed a number of emphasised resources under three main start list codes (Reputational/Relational, Organisational, and Human Resources) that were unique to high-performance firms, unique to low-performance firms, or apparent in both categories. Resources from the above three start list codes appeared in both high- and low-performance firms, suggesting that no one resource “type” dominated each performance category at this aggregate level. No Technological/Innovative Resources were shown as emphasised.

The overlap of the resource Marketing and Promotions in both performance categories suggests that in certain instances, particular resources could be necessary industry resources, yet not necessarily sufficient to provide a competitive advantage. Such resources have been referred to as “complementary” or “co-specialised” assets (Teece, 1986), as they provide value to the firm as a whole and may be a vital component of a resource cluster (Foss, 1998).

This finding suggests that the importance of certain resources may not lie in isolation, but in how they interact, cluster together, or fit into a system (Foss, 1998). Furthermore, this finding suggests that it is not so much the resource type that makes it valuable, but the “capabilities” in how the particular resource is used (Barney,
1991). Thus, a resource such as *Marketing and Promotions* may be a necessary yet not sufficient industry resource to provide a competitive advantage on its own, or it could be a strategic asset, depending on how it is utilised.

While the majority of resource-based studies examine resources across the aggregate level, it begs the question of whether analysing resources at this level can provide findings that are consistent with RBV theory. Scholars posit that a macro focus reliant on “averaging” can only provide information concerning the average “representative” firm, not information pertaining to the unique firm-specific assets that underpins RBV theory (Aharoni, 1993).

More specifically, it is pertinent to question whether the use of aggregated findings hides the variability that is at the core of RBV theory. If so, is the current research aim examining key resources across the aggregate level a valid approach to uncovering sources of advantage that are purported to lie in the valuable, rare, and inimitable resources and capabilities of a firm?

The following research aim undertakes to cluster the sample of firms based on commonalities in resource emphasis prior to a more in-depth analysis. Rouse and Daellenbach (1999) argue that controlling for industry and strategic group commonalities can better allow sources of advantage to be teased out. Clustering the firm sample will illustrate whether the single-industry analysis across the aggregate level represents firms that are homogenous, or whether certain firm characteristics emerge from the sample that binds firms into similar groupings.
If clusters emerge from the aggregate data and if resource emphasis appears to differ across clusters to that across the level of aggregation explored in this section, it suggests that exploring key resources across the aggregate level may be concealing much of the variability that the RBV purports to be necessary for isolating sources of advantage.

The next research aim undertakes to cluster the sample of single-industry firms based on commonalities in strategic resource emphasis in order to explore whether a cluster-level analysis can produce findings that identify a more relevant and meaningful resource set than that across the aggregate sample.

5.3 Research Aim 3a

3a. To examine the extent to which firms from a single industry can be clustered according to resource emphasis.

Identifying the clusters of firms that may emerge from a single industry is the second level of the multi-level industry analysis examined in this thesis. This research aim was addressed by using Q methodology to potentially uncover the clusters of firms that emphasised similar resource preferences during the Stage 2 sorting exercise. The section begins by showing how firm clusters were determined through the sequential procedures of correlation, factor analysis, and the computation of factor scores. Then, a table of rotated factor loadings is presented that shows the factors on which each firm loaded and the factor loadings for each firm.
5.3.1 Identifying the Factors

The Q method statistical freeware program PQMethod 2.11 (Schmolck & Atkinson, 2002) was used to analyse the data. This program is an established package for analysing sorting material and was used here to automatically compute factor loadings and determine “pure” cases through the use of an algorithm where factors “explain” more than half of the common variance.

The analytic process began by entering the data into the statistical freeware program. First, the resource names were entered, as numbered. Next, the structure of the Q sort was specified in terms of the number of columns and rows. Individual Q sorts from respondents were then entered as prompted. The program notifies analysts of missing or duplicate data within each sort. The Q sort, as a quasi-normal distribution, is also displayed on-screen for verification.

The program then correlates each Q sort with each other to provide an intercorrelational matrix. Scant attention is normally given to the correlation matrix itself, since it basically signifies a transitional phase between the raw data and the factor analysis. Factor analysis more meaningfully groups the related Q sorts together, thus documenting the current opinions of the firms in regard to their key resources (Brown, 1980).

Next, the intercorrelational matrix was factor analysed. To achieve a more focussed view of the data in place of using the unrotated factor loadings, an alternative set of loadings is recommended through factor rotation (Brown, 1980). The most conventional system for factor rotation is the Varimax routine, which rotates factors
in such a way that each Q sort is maximised on a single factor and minimised on all others, resulting in a “simple structure” (Brown et al., 1999).

A simple structure can enhance interpretation since the resulting factor types correspond to the factors more “purely” so mixed and null cases are held to a minimum (McKeown & Thomas, 1988). When research is exploratory, such as the current study, or when researchers have little idea about the situation under investigation, the Varimax routine can be a most appropriate strategy for factor rotation.

Hence, the correlation matrix was factor analysed, using the principal components method with a Varimax rotation. Several solutions were considered, but in this case, the most adequate solution was comprised of three factors or clusters. Criteria for “adequacy” varies according to different research. However, in the current study adequacy was strongly indicated by the fact that 30 of the 34 respondents had factor loadings exceeding statistical significance on at least one of the three clusters. Factor loadings are basically correlation coefficients which indicate the extent to which each Q sort item is similar to or different from the composite factor array for that type (McKeown & Thomas, 1988).

Table 4 below illustrates the factors on which each firm loaded and the factor loadings for each firm. Significant loadings are indicated by an asterisk. The results show that of the 34 firms in the sample, 11 loaded on the first factor, Cluster A, 8 firms loaded on the second factor, Cluster B, and 11 firms loaded on the third factor,
Cluster C. Only four cases (case numbers 3, 17, 22, and 26) did not load on any factor.

**Table 4**

*Rotated Factor Loadings*

<table>
<thead>
<tr>
<th>Case number</th>
<th>Cluster A</th>
<th>Cluster B</th>
<th>Cluster C</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>12</td>
<td>−12</td>
<td>68*</td>
</tr>
<tr>
<td>2</td>
<td>−13</td>
<td>0</td>
<td>77*</td>
</tr>
<tr>
<td>3</td>
<td>32</td>
<td>-39</td>
<td>39</td>
</tr>
<tr>
<td>4</td>
<td>36</td>
<td>20</td>
<td>64*</td>
</tr>
<tr>
<td>5</td>
<td>61*</td>
<td>−5</td>
<td>41</td>
</tr>
<tr>
<td>6</td>
<td>27</td>
<td>11</td>
<td>57*</td>
</tr>
<tr>
<td>7</td>
<td>13</td>
<td>13</td>
<td>64*</td>
</tr>
<tr>
<td>8</td>
<td>74*</td>
<td>21</td>
<td>0</td>
</tr>
<tr>
<td>9</td>
<td>−25</td>
<td>58*</td>
<td>-12</td>
</tr>
<tr>
<td>10</td>
<td>27</td>
<td>4</td>
<td>74*</td>
</tr>
<tr>
<td>11</td>
<td>60*</td>
<td>8</td>
<td>38</td>
</tr>
<tr>
<td>12</td>
<td>42*</td>
<td>−11</td>
<td>30</td>
</tr>
<tr>
<td>13</td>
<td>66*</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>14</td>
<td>37</td>
<td>21</td>
<td>60*</td>
</tr>
<tr>
<td>15</td>
<td>41*</td>
<td>29</td>
<td>13</td>
</tr>
<tr>
<td>Case number</td>
<td>Cluster A</td>
<td>Cluster B</td>
<td>Cluster C</td>
</tr>
<tr>
<td>------------</td>
<td>-----------</td>
<td>-----------</td>
<td>-----------</td>
</tr>
<tr>
<td>16</td>
<td>51*</td>
<td>6</td>
<td>30</td>
</tr>
<tr>
<td>17</td>
<td>43</td>
<td>37</td>
<td>25</td>
</tr>
<tr>
<td>18</td>
<td>29</td>
<td>61*</td>
<td>27</td>
</tr>
<tr>
<td>19</td>
<td>11</td>
<td>1</td>
<td>60*</td>
</tr>
<tr>
<td>20</td>
<td>68*</td>
<td>–18</td>
<td>16</td>
</tr>
<tr>
<td>21</td>
<td>23</td>
<td>31</td>
<td>64*</td>
</tr>
<tr>
<td>22</td>
<td>38</td>
<td>53</td>
<td>45</td>
</tr>
<tr>
<td>23</td>
<td>60*</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>24</td>
<td>29</td>
<td>16</td>
<td>73*</td>
</tr>
<tr>
<td>25</td>
<td>54*</td>
<td>29</td>
<td>6</td>
</tr>
<tr>
<td>26</td>
<td>19</td>
<td>45</td>
<td>47</td>
</tr>
<tr>
<td>27</td>
<td>75*</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>28</td>
<td>28</td>
<td>29</td>
<td>–41*</td>
</tr>
<tr>
<td>29</td>
<td>–6</td>
<td>52*</td>
<td>20</td>
</tr>
<tr>
<td>30</td>
<td>18</td>
<td>62*</td>
<td>–13</td>
</tr>
<tr>
<td>31</td>
<td>19</td>
<td>48*</td>
<td>–4</td>
</tr>
<tr>
<td>32</td>
<td>22</td>
<td>40*</td>
<td>1</td>
</tr>
<tr>
<td>33</td>
<td>–2</td>
<td>65*</td>
<td>44</td>
</tr>
<tr>
<td>34</td>
<td>–40</td>
<td>68*</td>
<td>13</td>
</tr>
<tr>
<td>Case number</td>
<td>Cluster A</td>
<td>Cluster B</td>
<td>Cluster C</td>
</tr>
<tr>
<td>-------------</td>
<td>-----------</td>
<td>-----------</td>
<td>-----------</td>
</tr>
<tr>
<td>%</td>
<td>16</td>
<td>12</td>
<td>18</td>
</tr>
</tbody>
</table>

**Notes:** (a) Decimals to two places are omitted from correlations.

(b) * = significant loadings; others insignificant.

### 5.3.2 Summary

The aim of research aim 3a was to examine the extent to which firms from a single industry could be clustered according to resource emphasis. Through the statistical component of Q methodology, three different clusters of firms emerged from the sample, based on resource emphasis.

The clustering of the sample into three distinct groupings suggests that the population of firms from the single industry used in this thesis are not homogenous. Thus, the key resource findings across the aggregate level examined in research aim 2 do not refer to a like-minded population of firms, but refer to averaged findings that may be concealing much of the variability that is now emerging when strategic group commonalities in resource emphasis are considered within the industry. This finding is consistent with Rouse and Daellenbach (1999), who argue that controlling for industry and strategic group commonalities in RBV research can better allows sources of advantage to be teased out.
Following the identification of the three clusters (see Table 4), it was prudent to interpret the emergent factor structures to explore whether it is singularly resource emphasis that binds firms into similar groupings, or whether certain firm characteristics are common to cluster groups as well. The following research aim introduces the three clusters and their associated characteristics.

5.4 Research Aim 3b

3b. To characterise the cluster(s) of firms from within a single-industry context that select similar key resource sets.

The purpose of this research aim was to characterise and distinguish any emergent clusters found in research aim 3a that selected similar key resource sets. The analysis presented in this section introduces the three clusters, and their associated demographic characteristics and resource preferences. Then, the interview data are used to illustrate the distinctions in how managers from different cluster groups perceive and use certain key resources. Finally, some notable contrasts in managers’ perceptions of “firm performance” concludes this section. To protect the anonymity of participating firms, no particulars in relation to individual data will be provided.

5.4.1 The Three Clusters and Their Characteristics

Interpreting a factor structure depends upon the nature of the investigation and what it is the researcher is trying to understand (Brown, 1980). Again, the focus of the current thesis is to explore the emergent clusters in light of the aims of the study, which broadly are to identify the key resources in the music industry and to understand how managers apply those resources in order to maximise their potential.
A comparative approach (Gibbert, 2006) was undertaken so that resource findings could be compared across different levels of a single industry in order to inform the effects of methodological choice and the RBV.

Table 5 below introduces the three clusters through comparing a range of demographics that distinguish each of the three clusters from one another. As subsequently revealed in this section, the resultant clusters of firms were named A & R-Managed, Customer Service-Managed, and Artist-Managed firms to denote the firms’ main activities within each cluster. The firm demographics considered are the firm activities, firm age, employee numbers, gross profit index, performance ranking, and firm type. The manager demographics included were the status of the manager as an artist, manager education level, work hours, experience, and other employment. The demographics are discussed in more detail following the presentation of Table 5 below.
Table 5

*The Three Clusters and Their Demographic Characteristics*

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Cluster A</th>
<th>Cluster B</th>
<th>Cluster C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main firm activities</strong></td>
<td>• A &amp; R</td>
<td>• Recording/sound engineering</td>
<td>• Music composition</td>
</tr>
<tr>
<td></td>
<td>• Releasing music</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Publishing and/or licensing</td>
<td>• Artist management/advisory services</td>
<td>• Music performance</td>
</tr>
<tr>
<td></td>
<td>• Distribution</td>
<td>• Marketing &amp; Promotions</td>
<td>• Releasing music</td>
</tr>
<tr>
<td></td>
<td>• Marketing &amp; Promotions</td>
<td></td>
<td>• Self management</td>
</tr>
<tr>
<td><strong>Firm age (years)</strong></td>
<td>Range: 4.5–30+</td>
<td>Range: 1–13</td>
<td>Range: 1–13</td>
</tr>
<tr>
<td></td>
<td>Average: 19</td>
<td>Average: 5</td>
<td>Average: 6</td>
</tr>
<tr>
<td><strong>F/T employees</strong></td>
<td>Range: 2–100+</td>
<td>Range: 1–11</td>
<td>Range: 1–7</td>
</tr>
<tr>
<td></td>
<td>Average: 43</td>
<td>Average: 3</td>
<td>Average: 2.5</td>
</tr>
<tr>
<td><strong>Gross profit index</strong></td>
<td>Range: 100,000–30 million +</td>
<td>Range: &gt;5,000–100,000</td>
<td>Range: &gt;5,000–200,000</td>
</tr>
<tr>
<td></td>
<td>Average: n/a</td>
<td>Average: 24,000</td>
<td>Average: 20,000</td>
</tr>
<tr>
<td></td>
<td>Average: 12.12</td>
<td>Average: 10.06</td>
<td>Average: 9.26</td>
</tr>
<tr>
<td><strong>Is manager an artist in his/her own right?</strong></td>
<td>Non Artist: 82%</td>
<td>Non Artist: 38%</td>
<td>Non Artist: 36%</td>
</tr>
<tr>
<td></td>
<td>Artist: 18%</td>
<td>Artist: 62%</td>
<td>Artist: 64%</td>
</tr>
<tr>
<td>Cluster</td>
<td>Cluster A A &amp; R-Managed firms</td>
<td>Cluster B Customer Service-Managed firms</td>
<td>Cluster C Artist-Managed firms</td>
</tr>
<tr>
<td>------------------</td>
<td>-------------------------------</td>
<td>----------------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Manager education</td>
<td>Tertiary: 36%</td>
<td>Postgrad: 38%</td>
<td>Postgrad: 18%</td>
</tr>
<tr>
<td></td>
<td>Part Tertiary: 18%</td>
<td>Tertiary: 25%</td>
<td>Tertiary: 55%</td>
</tr>
<tr>
<td></td>
<td>HSC: 45%</td>
<td>Part Tertiary: 13%</td>
<td>Part Tertiary: 9%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HSC: 25%</td>
<td>HSC: 9%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Part Secondary: 9%</td>
</tr>
<tr>
<td>Manager work</td>
<td>Range: 30–75</td>
<td>Range: 8–80</td>
<td>Range: 3–60</td>
</tr>
<tr>
<td>week (hours)</td>
<td>Average: 58</td>
<td>Average: 41</td>
<td>Average: 25</td>
</tr>
<tr>
<td>Manager experience (years)</td>
<td>Range: 8–31</td>
<td>Range: 2–27</td>
<td>Range: 4–43</td>
</tr>
<tr>
<td></td>
<td>Average: 21</td>
<td>Average: 12</td>
<td>Average: 17</td>
</tr>
<tr>
<td>Managers with second jobs?</td>
<td>18 %</td>
<td>75%</td>
<td>82%</td>
</tr>
<tr>
<td>Firm type</td>
<td>55% Privately owned incorporated company</td>
<td>38% Sole trader owned incorporated company</td>
<td>36% Sole trader owned incorporated company</td>
</tr>
<tr>
<td></td>
<td>25% Partnership owned incorporated company</td>
<td>25% Privately owned incorporated company</td>
<td>36% Privately owned incorporated company</td>
</tr>
<tr>
<td></td>
<td>27% Publicly owned incorporated company</td>
<td>13% Other owned incorporated company</td>
<td>27% Partnership owned incorporated company</td>
</tr>
<tr>
<td></td>
<td>18% Partnership owned incorporated company</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Cluster A: “A & R Managed” Firms

Eleven male managers, on behalf of their firms, defined cluster A. All of these participants were either managers of large multinational companies or larger independent record labels whose firms’ gross annual incomes ranged from approximately $100,000 to well in excess of $30 million. Two of the eleven cases loading into this cluster had missing data in relation to their firms’ gross annual income. The median performance ranking for firms in this cluster was 12.12 out of a possible indexed score of 25.

All firms loading into this cluster cited Releasing Music as a primary activity. All but one of these firms identified sourcing new talent (A & R) as a primary activity, with one firm citing this as a secondary activity. All but one firm in this cluster was engaged in publishing as a primary activity. Other primary activities reported by most participants in A & R-Managed firms included Marketing and Promotions, and Distribution.

Firms in cluster A, A & R-Managed firms, averaged 19 years, so were generally quite established. The average number of full-time employees was 43 in this cluster. Thirty-six percent of managers in this cluster reported having completed tertiary studies, while 18% stated they had completed part of their tertiary studies. The remaining 45% indicated that they had completed secondary school. Eighteen percent of managers in A & R-Managed firms worked second jobs, and the average working week for these managers in their music industry firm was 58 hours per week. Managers representing cluster A firms reported an average of 21 years working in the music industry. The majority of managers in this cluster (82%) stated
that they were not artists in their own right, while eighteen percent of managers indicated that they were artists.

The key resources that distinguished participants loading into cluster A, as indicated by the pattern of scores from +3 to –3, were mainly concerned with sourcing new talent (*A & R Activities*), *Marketing and Promotions*, and protecting that investment (*Copyrights*), as outlined below:

- A & R Activities
- Marketing and Promotions
- Copyrights
- Relations with the Artist

**Cluster B: “Customer Service-Managed” Firms**

Seven males and one female manager, on behalf of their firms, defined cluster B. In contrast to A & R-Managed firms, managers in this cluster oversaw small “service-oriented” music industry firms whose gross annual incomes ranged from less than $5,000 to approximately $100,000, the average being $24,000. However, the data on this variable were missing from two of the eight cases loading onto this factor. The mean performance ranking for firms in this cluster was 10.06, which was less than that calculated for A & R-Managed firms, in cluster A.

Unlike the record label activities associated with A & R-Managed firms, the primary activities for Customer Service-Managed firms varied considerably but typically concerned client and/or customer service activities such as recording/sound
engineering, artist management/advisory services, and marketing and promotions. Firms in cluster B were less established than firms in cluster A, with the average being 5 years. The number of full time employees averaged 3, which is a notable contrast to the larger average number of employees in A & R-Managed firms.

Managers in Customer Service-Managed firms had higher levels of education than those managers in A & R-Managed firms. Thirty-eight percent of the sample completed post-graduate study, while 25% completed tertiary studies. Twenty-five percent of this sample completed their secondary schooling, and 13% reported partial completion of tertiary studies.

A further contrast is that 75% of managers loading into Customer Service-Managed firms had second jobs, while most managers in A & R-Managed firms did not. The average work week for cluster B managers was less than for A & R-Managed firms at 41 hours per week, as was their average number of years working in the music industry (12 years). Thirty-eight percent of managers in this cluster stated that they were not artists. However, 62% of managers identified as being artists.

The distinguishing resource items for Customer Service-Managed firms were those resources involving the delivery of quality client services and relationships such as Networking Activities, Customer Focus, and Strategic Goals and Planning as outlined below.

- Networking Activities
- Quality Standards/Professionalism
Cluster C: “Artist-Managed” Firms

Cluster C was comprised of 11 managers, one of whom was female. Managers of Artist-Managed firms typically managed micro or small independent record label firms that generated gross annual incomes ranging from under $5,000 to in excess of $200,000, although the average figure was approximately $20,000. Three of the eleven cases in cluster C had missing data in relation to the firms’ gross annual income. The median performance ranking for firms in this cluster was 9.26, which was lower than both A & R-Managed and Customer Service-Managed firms. Artist-Managed firms were largely small record labels involved in a wide assortment of activities including music performance/composition, self-management, releasing music, and marketing and promotions.

Artist-Managed firms were less established than A & R-Managed firms, but similar to Customer Service-Managed firms with an average age of 6 years. Artist-Managed firms were also similar to Customer Service-Managed firms in that the number of full-time employees averaged approximately 3 employees.

Managers in cluster C, Artist-Managed firms, had the highest levels of formal education. Eighteen percent completed post-graduate study and 55% completed tertiary study. Nine percent of managers completed part of their tertiary studies, 9%
completed their secondary education, and 9% completed some secondary schooling. Like Customer Service-Managed firms, a large proportion of managers (82%) in Artist-Managed firms had second jobs. Thus, the working week for these managers in their music industry firms was less than other clusters with an average of only 25 hours per week. Managers in Artist-Managed firms reported an average of 17 years working in the music industry. Sixty-four percent of managers in this cluster stated that they were artists in their own right, while 36% of the sample reported they were not.

In contrast to the other clusters, the distinguishing key resources for Artist-Managed firms were those that put a considerable focus on the artists themselves. This was evidenced by the top ranking of three artist-related resources which include Relations with the Artist, the Capabilities of the Artist, and Artist Development, as can be seen below:

- Relations with Artist
- Capabilities of Artist
- Artist Development
- Business Relations
- Marketing/Promotions
- Quality Standards/Professionalism
- Credibility in Marketplace.

As can be seen, each resource cluster evidenced commonalities in resource emphasis and certain demographic characteristics. In order to further illustrate the differences
between each of the three clusters within the single industry, the next section distinguishes how managers from each cluster tended to understand and use certain resources. As shown in the following section, there are variations between clusters regarding how various resources are understood and used.

5.4.2 Evaluating Resource Emphasis Across Each Cluster

Given that resource profiles across clusters differed, and that firms within each cluster tended to share commonalities in resource emphasis and firm characteristics, it was prudent to examine whether managers from each cluster perceived certain resources in a similar or dissimilar way. Findings so far from this section suggest that differences may be apparent in how managers from across the three clusters perceive and use their firms’ resources.

The discussion below examines some notable contrasts in managers’ perceptions of resources from the different cluster groups. Again, the possible range of scores is a 7-point distribution between +3 and –3, with the 0 score indicating a resource that is neither emphasised nor de-emphasised in the firm. The resources rated highly (e.g., 3 or 2) by managers were those resources that were emphasised to a greater extent than other resources considered. Resources rated less favourably (e.g., –2, –3) by managers were those resources not emphasised a great deal in the firm. Scores appearing below each resource name represent the factor arrays for clusters A, B, and C, respectively. The factor arrays show the combined average rating or emphasis that managers from each cluster attributed to each resource.
Marketing and Promotions

3 0 2

Marketing and Promotions was a particularly important resource for cluster A, A & R-Managed firms and to a slightly lesser extent, cluster C, Artist-Managed firms. However, while the resource was important to both Cluster A and C firms, managers from A & R-Managed firms typically did not report the financial constraints to investing in Marketing and Promotions, as did the Artist-Managed firms as outlined in the following case examples below:

It’s on marketing and promotions activities that this company’s reputation is really built… [we are] the most aggressive and creative in marketing and promotions… Every company should be able to market and promote as good as another, but that’s not the case. [With us] it’s a more aggressive and larger [financial] commitment.… (Case #11, Cluster A.)

Marketing and promotions are very important obviously to any success. But when you have limited amounts of money, that marketing and promotions become even more critical so you have to identify economical ways of doing that… The majors have a massive amount of money to take advantage of a success instantly, because they’ve got the money to throw at more marketing.… (Case #14, Cluster C.)

The two quotes above represent example cases of how managers on distinct factors perceive Marketing and Promotions. Managers from the larger and more financial A & R-Managed firms seemed more able than Artist-Managed firms to invest heavily in the resource. Artist-Managed firms spoke of having to rely on more economical measures of Marketing and Promotions due to their limited finances.
A & R Activities

3 –3 0

A & R Activities was a resource that was highly emphasised by Cluster A, A & R-Managed firms and de-emphasised by Cluster B, or Customer Service-Managed firms. The lack of relevance A & R Activities had for the Customer Service-Managed firms distinguished them from the A & R-Managed firms, as the below example cases illustrate.

You’re not a real record company unless you’ve got local A&R and a solid commitment to it... and that’s been our premise for [a number of] years... I don’t think A&R is necessarily exclusive or particularly leans towards one company other than, if you can get the right people and you drive it the right way…. (Case #11, Cluster A.)

[A & R] doesn’t come into my particular business... even though I have an interest in what people do and I like to hear their music... that’s part of my understanding about that person... but what I’m doing for them, it’s more about providing a service. (Case #30, Cluster B.)

As can be seen from the above example quotes, A & R-Managed firms placed a high degree of emphasis and commitment on A & R Activities, while the Customer Service-Managed firms focussed more on providing services (e.g., artist management, advisory services) for their artist clients. The distinction in resource emphasis between the two cluster types clearly shows how one cluster’s most emphasised resource can be another cluster’s least emphasised.
Copyright was another example of a resource that illustrates how distinctly managers from different cluster types from within a single industry can perceive resource importance. While Copyright was a heavily emphasised resource for Cluster A, A & R-Managed firms, it was a least emphasised resource by Cluster C, Artist-Managed firms. The below example quotes shed light on this distinction.

Copyright is the only way that I can, on behalf of anybody that is a singer or a songwriter, sustain them and give them a long-term career. A good manager’s job is to provide highly talented people with a sense of … security and a sense of balance so that they can get on with what they have to do. Part of that is that they have financial security. If they own their copyright [then] they have the ability long term to exploit what they’ve recorded… that has always been a primary ingredient in this place. (Case #15, Cluster A.)

I know that there are [resources] that I should be considering emphasising more… copyright is an important thing… [but] I don’t have the resources to concentrate on that and I don’t think that me concentrating on copyright is going to further my record label so I’d much rather deal with these more personal things [i.e., relationships with the artist]…My father would probably much rather that I’d concentrate on copyright… and contracts and licences but that’s not why I have a record label. (Case # 10, Cluster C.)
The above example quotes show that in contrast to A & R-Managed firms’ primary emphasis on *Copyrights* due to the enduring protection it offers, Artist-Managed firms de-emphasised this resource over other resources such as the *Relations with the Artist*. For Artist-Managed firms, it seemed the use of *Copyrights* is inconsistent with their primary intentions concerning “relationships” that characterise their record labels.

**Relations with the Artist**

2 –1 3

*Relations with the Artist* was a highly emphasised resource for Cluster C, Artist-Managed firms and only slightly less emphasised for Cluster A, A & R-Managed firms. Despite the fact that both Clusters A and C rated the resource as important and necessary for the existence of their firms, differences exist in the reasons why each cluster emphasises their *Relations with the Artist*. It appears that A & R-Managed firms, in particular, saw their *Relations with the Artist* as a long-term investment.

Relations with the artists…[are] fundamental to an entire business… in so far as we want to have long term relations. Our business survives… because of our relationships with the artist on the label - no artist, no record label… and we also invest… with virtually unknown artists… building their career… so… the relationship is important because in most cases that doesn’t show any financial gain to us for… a year, 2 years, 3 years whatever… At the end of the day I don’t want to deal with a pack of arseholes, even though they all enter that category at various times… I wouldn’t have a record label if I didn’t have that relationship with the people on the label… if I’m having fun… we’re making money… simple as that. (Case #27, Cluster A.)
Without the artist, it’s not really going to happen and again it’s…the size of the market. No one’s going to make a bucket load of money out of it so it’s important that the artist feel comfortable about the nature of their relationship with [the label]. (Case #2, Cluster C.)

Both A & R-Managed firms and Artist-Managed firms acknowledged that having good *Relations with the Artist* is necessary for the existence of their firms. However, A & R-Managed firms perceived the long-term impact and financial benefits of the resource more so than Artist-Managed firms, even though Artist-Managed firms rated the resource as one of their largest contributors to profitability.

*Artist Development*

0 −1 3

In contrast to clusters A and B, *Artist Development* was a resource that was strongly emphasised by Cluster C, Artist-Managed firms. The resource’s link to profitability is explained below by one Artist-Managed firm.

It’s... a shared role between artists and label, making sure that they’ve got an idea of how they want to be [marketed]... musically or whatever. If the label felt that they should be going in one direction we’ll say so and if the artist doesn’t think that, we’d try and find some middle ground. We, to a certain degree, leave that up to the artist, but we will try... to encourage... a certain avenue that they should go down in order to maximise exposure or sales. We will try and influence them… [to] make sure that the image that they’re portraying is going to benefit everyone. (Case #7, Cluster C.)
Cluster C, Artist-Managed firms, appeared to rely heavily on Artist Development in order to maximise exposure and generate firm profits. The resource seemed to be maximised by a collective effort between artists and label so that the artist’s development can potentially yield outcomes that fit with the label.

**Capabilities of the Artist**

1 \(-1\) 3

Capabilities of the Artist was a most emphasised resource for Cluster C, Artist-Managed firms, but particularly less so for Cluster B, Customer Service-Managed firms. While Customer Service-Managed firms viewed the resource as somewhat irrelevant to the profitability of their business, Artist-Managed firms relied heavily on this resource to generate firm profits, as outlined below.

With the capabilities of artists… I’m more looking at… their knowledge base… not so much their music. [Artists] come to me for a different reason, they want knowledge about something and I’m not really there to comment on their music or their talent. I’m there to tell them where to get their CD’s pressed or how to get representation, how to do a business plan or help them through a particular process. (Case #30, Cluster B.)

You can sort of tell when a band is on to something - they’ve got a unique sound, a unique look… and it’s just a matter of time…. (Case #21, Cluster C.)

As shown by the above example quotes, **Capabilities of the Artist** was a resource that was highly emphasised by Artist-Managed firms but de-emphasised in Customer
Service-Managed firms due to the customer service-oriented activities associated with that cluster. The differences in resource emphasis across cluster types within a single industry points to how lower levels of aggregation are needed in research that can tease out these distinctions.

**Quality Standards and Professionalism**

0 3 2

*Quality Standards and Professionalism* was a resource that was most emphasised by Cluster B, Customer Service-Managed firms and to a slightly lesser extent, Cluster C, Artist-Managed firms. Both of these firm types were more often that not smaller, “boutique” firms that contrasted with the activities of the larger multinational and independent firms in Cluster A. The below example quotes show how *Quality Standards and Professionalism* is interpreted by the smaller customer service-oriented firms on Cluster B and the smaller independent labels that most often characterised Cluster C.

For [clients] to return to record here, they have to have an outstanding product and we don’t compete in the market place on price; we are a more expensive studio therefore that quality and how people perceive us as being a quality studio that produces great results is critical to allowing those [profits]. (Case #33, Cluster B.)

I think if you concentrate on maintaining your quality standards and professionalism then there’s a whole lot of things that come from that… [for example] I’m such a snob about the presentation of what I’m doing, like the visual presentation... so every CD that I put out has some point of difference… what I have is very much a developing thing but I know that in 4 years time or… whatever their quality will
have increased…I want people to recognise that [label name] means something… that they can feel safe… investing in that product.… (Case #10, Cluster C.)

The above example quotes illustrate the perceived importance of Quality Standards and Professionalism in Customer Service-Managed and Artist-Managed firms. It seemed that the quality of the product or service is necessary to impress and maintain clients, often through a point of “difference”, for these generally smaller firms. This is in contrast to the larger A & R-Managed firms, where the resource is neither emphasised nor de-emphasised.

**Networking Activities**

0 3 1

Networking Activities was a most emphasised resource for exclusively Cluster B, Customer Service-Managed firms. The below quote shows why Customer Service-Managed firms particularly rely on this resource.

Networking is the main way of sourcing clients… knowing someone who knows someone… So I get a lot of referral rather than using traditional promotional marketing tools like advertising in newspapers, brochures, etc.. (Case #30, Cluster B.)

Networking Activities was shown by the above example quote for a Customer Service-Managed firm to be invaluable for sourcing new clients, over and above the traditional marketing activities that are more important to firms in the other two clusters.
Customer Focus

0 3 -1

Customer Focus was a resource that was emphasised highly by Cluster B, Customer Service-Managed firms, but not by other cluster firms. While Customer Service-Managed firms relied on Customer Focus in order to get repeat business for their services, Cluster A, A & R-Managed firms typically considered Customer Focus to be a by-product of their more highly emphasised resources A & R and Marketing, as the below example quotes illustrate.

The interesting thing about the music business…as a business model is that there’s no difference in the product [compact discs] physically… and in fact there’s no difference in the price either, because they’re all sold at the same price at K-mart so there’s nothing differentiating those 2 products to a consumer… the only thing that’s actually going to make a consumer buy one or the other is the artist in itself… so… that’s why our value is in finding the right acts and then marketing them effectively so that a consumer… goes yeah, that’s the one for me. (Case #12, Cluster A.)

I have to focus on each different customer as an individual. And that’s why they come back I guess, because I’ve shown them that individual service. (Case #30, Cluster B.)

The above example quotes show how Customer Focus is understood differently by firms from distinct cluster groups. The perceived high importance of Customer Focus to Customer Service-Managed firms related to giving customers individual service so they would be more likely to be repeat customers. For A & R-Managed
firms, Customer Focus was only emphasised by proxy, through the emphasis of other resources (i.e., A & R Activities, and Marketing and Promotions) that could ensure customer sales.

**The Use or Development of New Technology**

None of the firm clusters emphasised the *Use or Development of New Technology* as a key resource. However, of particular interest is that Cluster A, A & R-Managed firms cited this resource as one of their least emphasised, although firm types represented in this cluster have lost millions of dollars in revenue over the past several years due to being caught out by technological changes, particularly downloading and the MP3 technologies (e.g., Washington, 2006).

As previously outlined in this thesis, an Australian Bureau of Statistics (1997) report calculated that between 1995 and 1996, 90% of the market share from sound recordings belonged to the six “major” record labels of Australia. However, in 1995 alone, the Australian recording industry lost an estimated 10% of overall sales (Washington, 2006). Example quotes from managers representing each of the three firm clusters are presented below. One manager from an A & R-Managed firm discussed the surprising lack of emphasis regarding the *Use or Development of New Technology* and explained why other resources are emphasised in place in that resource. One manager from a Customer Service-Managed firm explained how she needs to learn more about *New Technology* in order to best advise her clients. Finally, a manager from an Artist-Managed firm shared his perspective on why the
Development of New Technology will ultimately be better for smaller, independent labels.

Downloading hasn’t made it any harder to sell good records, it’s just made it a lot harder to sell bad records…. but really, the good records are still selling… so in a sense, that’s why… Artist Development is still the major strategy…. the whole other side of the coin [is] how do we move forward with this? How do we stop people from downloading and try and find viable business models that allow people to download commercially? So I think that area of …finding… new business models - that’s a big part of what we do on a global scale but it’s not a part of what we do locally. (Case #12, Cluster A.)

I am thinking of looking at New Technology [as a future resource]…I have quite a good understanding of design and computer usage but I would certainly like…to start advising my customers on the use of the internet and…marketing themselves without giving up their copyright… what I’m trying to do is see what’s a potential threat and see how perhaps it could be changed into a marketing tool… If people… like the music that they’ve heard off the internet [they] will perhaps want to buy [more] product”. (Case #30, Cluster B.)

Ultimately it’s going to be better… with the [New] Technology… A number of small enterprises… like mine… are going to be finding themselves much more competitive… you can’t really tell on the internet if you’re dealing with a big department store or a little shed and…[saving on] all those costs of rent and things like that make you more competitive because up on the net, it depends on your style and graphic design and presentation and reliability [that influence] the choices made
by your customers. But… despite the internet… we still need the physical world to drive people towards those sites. (Case #14, Cluster C.)

The above example quotes from A & R-Managed firms suggest that the *Use or Development of New Technology* is a significant issue for firms on all clusters, despite the fact that some firms, in particular the A & R-Managed firms, emphasise this resource among the least of all the resources. An example quote from a major, multinational A & R-Managed firm discussed how *Artist Development* is more important than *New Technology*, because good music will ultimately still sell and that new business models will likely stem from the firm’s global counterparts as it is not a local strategy. An example quote from a Customer Service-Managed firm suggested that the *Use or Development of New Technology* was likely a resource that she would emphasise in the future, given that her customers needed more information on how to protect themselves from copyright abuse while still being able to market their music. Finally, an example quote from an Artist-Managed firm noted that *New Technology* could improve the competitiveness of smaller, independent labels and reduce expenses.

The quotations presented above illustrated some notable distinctions in how managers from different cluster groups perceived and used certain key resources. Further distinctions pertained to how managers from each cluster perceived their firm, and hence, the importance of firm profitability. The following section examines the cluster perceptions of firm performance and the implications are discussed.
5.4.3 Perceptions of Firm Performance by Cluster

In typical research it would be reasonable to expect little variance between the overall, collective performance rankings of firms between cluster groups. However, the present thesis showed that the performance rankings between firm clusters varied markedly with cluster A firms the most profitable, cluster C firms the least profitable, and cluster B firms in the middle.

In contrast to typical research, it appears as though the music industry sample used in the current thesis is comprised of firms that have different intentions with respect to their profitability, as evidenced by the mission statements and related discussion obtained during the research. While these findings are a by-product of this study, it warrants attention, since the distinct understandings and intentions relating to “firm performance” between cluster groups may explain the distinct performance rankings between cluster groups. Furthermore, it may have significant implications for what constitutes “firm performance”, as is traditionally understood in strategy research.

To review, the performance measure used in this thesis comprised two sections: one section asked managers to rate the degree of importance their firm attaches to several performance criteria; the second section required managers to rate the extent to which their firms’ top managers are presently satisfied with the same financial performance criteria. Scores were multiplied across each section and then added together to achieve a weighted average performance index. An implication of using this measure is that the different clusters’ understandings of firm performance may have affected the interpretation of what the performance measure was tapping into.
The findings related to firm mission statements and the outcomes pertaining to how firms distinguished between firm success and firm profitability are presented below.

5.4.4 Mission Statements

Mission statements are defined as “enduring statements of purpose that distinguish one organisation from other similar enterprises” (David & David, 2003, p. 11). Bart and Baetz (1998) state that mission statements can serve as a focal point for the firm, provide a basis for objectives and strategies, and ensure unanimity of purpose, among other advantages. David and David (2003) report that a number of academic studies suggest there is a positive relationship between mission statements and firm performance. However, a review of this literature from Bart, Bontis, and Taggar (2001) concluded that that a mission statement’s impact on firm performance is more indirect than previously thought, and that a host of intervening variables can affect the mission–performance connection.

Stage 1 of the research asked the sample of managers to discuss their firm’s mission statement, if they had one. While most managers on behalf of the firm stated that they did not have explicit mission statements, they tended to discuss how they thought about their firms, often including information pertaining to the purpose and intentions of their firm.

Mission statements are not required to contain information pertaining to a firm’s financial aims. However, as many firms in the current sample demonstrated, “improvised” mission statements can provide valuable information about a firm’s purpose and underlying financial philosophy, particularly when also asked to
distinguish between “firm success” and “firm performance”. While it is largely accepted in strategy research that the purpose of the firm is to generate profitability, it seems that firms from the music industry have varied intentions concerning this assumption. While limited demographic information and no profitability measures were obtained from firms in Stage 1, outcomes suggested that the customer service-oriented firms, and the smaller, independent labels in particular, seemed less focussed on firm profits, as evidenced by their mission statements. These findings prompted the researcher to ask managers in the second stage of the research, “For your firm to be successful, does it have to be profitable?”

5.4.5 Managerial Perceptions of Firm Profitability

All managers from Cluster A, A & R-Managed firms, equated firm success with firm profitability, as the quotes below illustrate:

As an overall observation, the company has to be profitable. Ultimately, the only thing that really counts year by year is the profit results. (Case #12.)

We always look at the bottom line. I get offered oodles and oodles of product [but] I can just look at it and go… it’s just not going to sell enough for us… we’re pretty ruthless in that if it just doesn’t sell enough we have to cut it, you know? (Case #20.)

Money has been at the core of what we do. We want to make money… we all want to have the holiday house in the Caribbean… but you know if that happens, that’s good luck and that’s the way it is…. (Case #27.)
In contrast to Cluster A managers, 75% of managers representing Cluster B, Customer Service-Managed firms, indicated that success was not solely about profitability. Managers placed some focus on profitability in their discussions, but not at the expense of customer relations and customer service, as the following quotes suggest:

A good relationship with the people that we’re dealing with is much more important than exclusive profitability… if it’s purely a moneymaking venture than I don’t think it would have much depth. (Case #32.)

It’s not about having four outlets and having a lot of growth… it’s more about how I service each particular customer… so I’m interested in, have I given that person… what their need is at that particular time… It’s about my own personal growth… and personal learning. (Case #30.)

Success isn’t purely profit based because for us it’s a series of milestones… all small steps leading up to things… If I sit down and be an arsehole and just work for profits, I might make [a lot of money] in one year but the year after I wouldn’t make any… because no one would work with me because I’m an arsehole… especially with the punk scene, you can’t appear to be profit driven because all the little anti-establishment and non-conformist kids will run for the hills as soon as they think you’re trying to squeeze dollars out of them… they’ll think you’ve sold out and you’ll lose all the credibility and reputation. (Case #29.)

Similarly to cluster B managers, 82% of managers representing firms loading into Cluster C, Artist Managed-firms, did not view their firms’ success in terms of profitability. For some managers, their firm was a mechanism by which they could
release their own music and have creative control. For others, having a firm was about the passion and the fun of being in the industry. Below are some example quotes from Cluster C managers:

[The label] is something used to produce my music and small independent releases… In a sense it allows me to put out music that doesn’t have to conform or try to make money. (Case #2.)

What we’re getting down to is the grass roots level of the performing and the dealing with the artist and stuff… we meet a lot of characters, have a lot of fun and so we try to focus on that and that’s probably the luxury that we’ve got as a small independent company. We’re not driven by someone who’s reporting to a Board or something… that gives us the ability to keep some passion in it. (Case #24.)

I don’t want to [support new talent/records] just because I think it’ll make money; I only want to do things because I love them… passion is the reason I do this. (Case #10.)

The above example quotes illustrate the distinctions in how managers from each cluster tended to perceive the importance of firm profitability. Managers from Cluster A, A & R-Managed firms, highlighted profitability as a driving force behind their firms. Alternatively, managers from Cluster B, Customer Service-Managed firms articulated placing some degree of importance on profitability, but a greater priority on customer relations and service. Cluster C managers from Artist-Managed firms did not report profitability as a main motivation for their firms. Instead, the managers discussed how the firm was a mechanism by which they could release their
own music and have creative control. Other Cluster C managers stressed that the 
motivating force behind their firm was the passion and fun of being in the industry.

5.4.6 Summary

The purpose of research aim 3b was to characterise the different clusters of firms 
from within a single-industry context that selected similar key resource sets. A 
进一步目标是说明不同集群的管理者如何看待他们的关键资源，并对比管理者对公司的 
performance. These findings will be discussed in turn.

The three different clusters of firms found in research aim 3a were named “A & R-
Managed”, “Customer Service-Managed”, and “Artist-Managed” firms to denote the 
firms’ main activities within each cluster. Research aim 3b characterised these 
distinct firm groups. A brief review of these clusters is presented below.

A & R-Managed Firms

Eleven managers defined Cluster A, A & R-Managed firms. Firms in this cluster 
were either large multinational companies or larger independent record labels 
grossing from approximately $100,000 to in excess of $30 million per annum. 
Cluster A firms were collectively the most profitable of the cluster groups.

Cluster-level findings presented in this section showed that the key resources 
distinguishing firms clustering into A & R-Managed firms were A&R Activities, 
Marketing and Promotions, Copyrights, and Relations with the Artist.
**Customer Service-Managed Firms**

Eight managers defined cluster B, Customer Service-Managed firms. In contrast to the larger A & R-Managed firms representing cluster A, the Customer Service-Managed firms were generally small “service-oriented” businesses whose gross annual incomes averaged $24,000. Cluster B firms were the second most profitable of the cluster groups.

Cluster-level findings identified in this section showed a number of key resources that distinguished Customer Service-Managed firms from other clusters. The resources mainly related to ensuring quality client services and relationships. These resources were *Networking Activities, Quality Standards/Professionalism, Customer Focus, Firm Reputation, Entrepreneurial Capabilities*, and *Strategic Goals/Planning*.

**Artist-Managed Firms**

Eleven managers defined Cluster C, “Artist-Managed” firms. Similarly to the Customer Service-Managed firms in Cluster B, Artist-Managed firms were typically “micro” or small, independent record label firms. Firms in this cluster reported an average gross annual income of approximately $20,000, and were collectively the least profitable of the cluster groups.

Cluster-level findings showed a number of key resources that were important to cluster C, Artist-Managed firms. Unlike other clusters, these resources tended to place a considerable focus on the artists themselves. Such resources included
Relations with the Artist, Capabilities of the Artist, Artist Development, Business Relations, Marketing and Promotions, and Quality Standards and Professionalism.

The cluster-level findings outlined in this section revealed that firms are not homogenous—even within the same industry, providing support for the premise that resource analysis across the aggregate level is only one aspect of resource analysis. Emergent resource clusters were distinctly associated with firm characteristics and certain resource groupings common to that cluster. These cluster groups are suggestive of three distinct “populations” of firms within the single-industry context.

Furthermore, while cluster groups differed in resource emphasis and certain demographic characteristics, findings also showed that managers from different cluster groups tended to perceive certain resources in ways that were distinct to each other. The findings show that examining key resources at the cluster level is of value in that it can provide information that is different to analyses limited to that across the higher level of aggregation. For example, the cluster-level findings from the present research aim 3b provided a different result to those resource profiles found across the whole sample, as explored in research aim 2.

In addition, it was found through mission statements and a related performance question that managers from each cluster had distinct perceptions regarding the importance of firm profitability. The different managerial perceptions of firm performance suggest that the financial criteria used in the present thesis’ performance measure may not have been relevant to some firms, particularly those from Cluster C, Artist-Managed firms, and to a slightly lesser extent, Cluster B,
Customer Service-Managed firms. The subjective nature of the measure may have also been limited in its appraisal of firm performance.

The distinct performance rankings between cluster groups identified in research aim 3b also suggests implications for how firms were grouped at the industry level when performance was considered. Did cluster A firms dominate the high-performance group at the industry level examined in research aim 2? If so, is this because cluster B and C firms are not emphasising the same resources as cluster A firms?

However, as with a broad aggregated analysis, it is prudent to query whether firms within each cluster are homogenous or whether firm differences exist in resource emphasis within those clusters. Could the cluster-level analysis explored through the current research aim still be concealing those hard-to-reveal resources that are truly valuable, rare, and inimitable? Is an examination at the cluster level, as was across that higher level of aggregation, only finding the necessary but not sufficient resources to attain a competitive advantage?

Some resources appearing important to firms at the cluster level may play a generally important role in the success of firms in that cluster. However, it is unclear whether these resources are central to achieving a competitive advantage or whether their strength lies in how they are clustered with other resources or how they function as a system (Foss, 1998). Subsequent findings at the level of the firm may challenge the methods of examining key resources across aggregated samples. Thus, the next step in analysis is to explore performance differences in resource emphasis
from within each cluster in order to seek out further variability and meaning within the cluster level.

5.5 Research Aim 3c

3c. To identify the key resource sets chosen by firms from within the cluster(s), as based on performance.

The purpose of this research aim was to examine the resource emphasis of high- and low-performance firms from within each cluster in order to examine the extent to which resource emphasis may vary. Rouse and Daellenbach (1999) argue that exploring performance differences within each cluster can potentially reveal whether certain resource types are perceived as more valuable by the high-performing firms. While the cluster level is still a second level of the analysis explored in this thesis, a consideration of performance differences may reveal a greater extent of variability within cluster groups. Thus, additional information about the use of key resources from high- and low-performance firms could provide more information about the kinds of firms that rely on certain resource types.

In order to address this research aim, this section shows how high- and low-performance groups were established within each cluster. Then, the findings of resource emphasis, by performance, are revealed in each cluster.

5.5.1 Categorising High- and Low-Performance Firms in Each Cluster

Firms from within each cluster were divided into approximate thirds (e.g., Piercy et al., 1998), based on their performance score from Covin and Slevin’s (1989)
performance measure described in the methods section of this thesis. High vs. low comparisons were made within each cluster using the highest third and the lowest third of the sample. The middle groups were excluded from analysis so that a stark comparison between performance differences between firms in each group could be observed (Rouse & Daellenbach, 1999).

In Cluster A, A & R-Managed firms, four firms were allocated to the high-performance category, four firms were assigned to the low-performance category, and three firms in the middle range of performance were excluded from analysis. In Cluster B, Customer Service-Managed firms, three firms were allocated to the high-performance category, three firms were assigned to the low-performance category, and two firms in the middle performance range were omitted from analysis. In Cluster C, Artist-Managed firms, four firms were apportioned to the high-performance category, four firms were placed in the low-performance category, and three firms in the middle were excluded from analysis.

As in research aim 2, z-scores were calculated for resources using SPSS analysis in order to compare resource emphasis across clusters and in both performance categories. Z-scores greater than 1.00 were considered significant (Plane & Heins, 2003).

5.5.2 Findings: Resource Emphasis Across Clusters, by Performance

Table 6 below shows a comparison of resource emphasis across clusters in both high- and low-performance firms. Findings show that each cluster of firms appears to rely on its own distinct resource set, and there is little overlap in resource
emphasis between high- and low-performance firms. Resources overlapping in both performance categories within each cluster are marked with an asterisk.
<table>
<thead>
<tr>
<th>High-performance firms</th>
<th>Cluster A</th>
<th>Cluster B</th>
<th>Cluster C</th>
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<tbody>
<tr>
<td>A &amp; R Activities*</td>
<td>(1.84)</td>
<td>Firm</td>
<td>Relations w/ Artist* (1.29)</td>
</tr>
<tr>
<td>Marketing &amp; Promotions</td>
<td>(1.84)</td>
<td>Strategic Goals/Planning* (1.01)</td>
<td>Credibility in Marketplace</td>
</tr>
<tr>
<td>Sales Activities</td>
<td>(1.43)</td>
<td>Quality Standards/ Professionalism * (1.26)</td>
<td>Marketing &amp; Promotions (1.84)</td>
</tr>
<tr>
<td>Business Relations</td>
<td>(1.23)</td>
<td>Networking</td>
<td>Capabilities of Artist (1.48)</td>
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<tr>
<td>Strategic Goals/Planning</td>
<td>(1.23)</td>
<td></td>
<td>Business</td>
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<tr>
<td>Capabilities of the Artist</td>
<td>(1.26)</td>
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<tr>
<td>Artist Development</td>
<td>(1.02)</td>
<td></td>
<td>Use of Knowledge about Customers/ Competitors (1.26)</td>
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<td>Cluster A</td>
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<td>• Business Relations (1.01)</td>
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<tr>
<td>Low-performance firms</td>
<td>A &amp; R Activities* (1.97)</td>
<td>Firm Reputation* (1.02)</td>
<td>Relations w/ Artist* (2.66)</td>
</tr>
<tr>
<td></td>
<td>Relations w/Artist (1.38)</td>
<td>Strategic Goals/Planning* (1.93)</td>
<td>Artist</td>
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<td></td>
<td>Firm Reputation (1.38)</td>
<td>Quality Standards/ Quality Standards/ Professionalism (1.21)</td>
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<td>Tacit Knowledge (1.18)</td>
<td>Copyrights (1.18)</td>
<td>Credibility in Marketplace (1.28)</td>
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<td>• Trust/ Dependability (1.02)</td>
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<td></td>
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<td>• Entrepreneurial Capabilities (1.02)</td>
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</table>
The results presented in Table 6 above provide more information about the kinds of resources emphasised by high- and low-performance firms than the resource analysis at simply the cluster level examined in research aim 3a. In particular, it is the information pertaining to the resources used by the high-performance firms within certain strategic groups that is of interest in strategy research, due to those resources’ links to greater firm profitability (Rouse & Daellenbach, 1999).

For example, here it is shown that high-performance firms in Cluster A, A & R-Managed firms, emphasised some key resources that were exclusive only to high-performance firms in that cluster. *Business Relations, Sales Activities, Strategic Goals and Planning, Capabilities of the Artist,* and *Artist Development* were all new resources found to be significant to Cluster A, when only the resource preferences of high-performance firms were revealed. None of these resources were apparent at the cluster-level analysis examined in research aim 3a. It was also found that significant resources for Cluster C firms in research aim 3a—*Copyrights,* and *Relations with the Artist*—were only emphasized by low-performance firms in this cluster when performance differences were considered.

<table>
<thead>
<tr>
<th>Cluster A</th>
<th>Cluster B</th>
<th>Cluster C</th>
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<tr>
<td>Tacit Knowledge (1.02)</td>
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**Note:**  
(a) Asterisks beside certain resources denote resource overlap within each cluster by performance.  
(b) Z-scores (>1.00) indicating resource emphasis are in brackets.
In Cluster B, Customer Service-Managed firms, *Business Relations, The Use of Knowledge About Customers/Competitors, and Time Management* were all resources found significant to only high-performance Cluster B firms. Again, these resources were not identified as important at the cluster level analysis in research aim 3a when performance differences within the cluster were not considered. In addition, the significant resource *Entrepreneurial Capabilities* found in research aim 3a was only important to low-performance firms in this cluster when performance differences were established.

In Cluster C, Artist-Managed firms, there were no new resources identified as important that were exclusive to high-performance firms. However, *Artist Development*, a key resource that emerged from research aim 3a, was only found to be important to low-performance firms in the current research aim.

**5.5.3 Summary**

The purpose of research aim 3c was to identify the key resource sets chosen by firms from within the cluster(s), as based on performance. Results revealed that resources previously shown to be important across the aggregated industry and cluster levels were not equally represented at the cluster level when high- and low-performance firms were considered. The resources chosen by high- and low-performance firms differed, even within the same cluster, and very little overlap was found between performance categories.
In some cases, resources found to be significant across the aggregated cluster levels simply failed to rate as important when each cluster was explored by performance, or were only found to be important to low-performance firms when performance differences were considered. In other cases, certain resources that were not found to be important across the aggregated cluster levels suddenly emerged as important when performance differences were considered.

For example, findings from research aim 3a showing resource emphasis across the aggregated cluster levels indicated that Cluster A, A & R-Managed firms, emphasised *Copyrights* and *Relationships with the Artist* as key resources. However, in research aim 3c when performance differences were considered, *Copyrights* and *Relations with the Artist* only appeared to be emphasised by low-performance firms as opposed to high-performance firms in Cluster A. Further to this, certain other resources (e.g., *Strategic Goals and Planning*, and *Capabilities of the Artist*) that were not identified as important across the aggregated Cluster A level, emerged as important to high-performance firms when performance differences were considered within that cluster.

Clustering firms within a single industry based on commonalities is an important step in RBV research (Rouse & Daellenbach, 1999). Not only can it illustrate the intra-industry variability that results in distinct firm groupings, but also it can identify the unique firm-specific assets derived from each cluster. The performance differences, examined within each cluster, can further reveal (a) the important resources linked to the high-performing firms, and (b) those necessary industry resources yet *not sufficient* resources that are linked to both high- and low-
performance firms that may not be strategic assets on their own, but that play a necessary supporting role for the performance of other key assets. As earlier discussed, such resources have been referred to as complementary resources or co-specialised assets (Teece, 1986).

If clustering firms and exploring performance differences within each cluster better reflects the variability of firms’ key resources, it questions whether the commonly accepted method of identifying key resources superficially using broadly aggregated data is a valid methodological approach to uncovering the resources that are capable of becoming strategic assets. Next, the research moves towards a collective examination of the industry and cluster level findings, by performance, in order to highlight the effects of methodological choice and the RBV.

5.6 Research Aim 4

4. To compare the outcome of resource emphasis across the industry and cluster levels of analysis in high- and low- performance firms.

The purpose of comparing resource emphasis across the industry and cluster levels, by performance, was to explore the extent to which resource outcomes vary across different levels of analysis. Research from Gibbert (2006) points to the utility of multi-level analyses since resource findings can differ depending on the level of analysis used. Resource outcomes across industry and cluster levels were compared in order to explore whether much of the variability of firms at higher levels of analysis is concealed, or “averaged” out when the analysis moves to lower levels of aggregation.
Z-scores were calculated through SPSS analysis in order to establish the “most emphasised” resources across the aggregated industry level and cluster levels, by performance. Z-scores of at least 1.00 were used to determine the “most emphasised” resources within each category (Plane & Heins, 2003).

Table 7 shows the key resource findings, as illustrated by z-scores (>1.00), across the industry and cluster levels, by performance. The first three columns of Table 7 show notable resource findings across the aggregated range of the industry sample as a “whole”, then by high- and low-performance. Subsequent columns examine resource emphasis for each of the three clusters: resource emphasis is explored at the cluster level, which comprises all firms in the specified cluster, and by performance categories within each cluster.
Table 7

Comparison of Key Resources Across Industry and Cluster Levels, by Performance

<table>
<thead>
<tr>
<th>Resources</th>
<th>Industry level</th>
<th>Cluster A</th>
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<tbody>
<tr>
<td></td>
<td>Whole sample</td>
<td>High-perf. firms</td>
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<tr>
<td>Marketing and Promotions Activities</td>
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<td>1.23</td>
</tr>
<tr>
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<td>Entrepreneurial Capabilities</td>
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<tr>
<td>A &amp; R Activities</td>
<td>1.17</td>
<td>2.10</td>
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<tr>
<td>Customer Focus</td>
<td>1.17</td>
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<tr>
<td>Resources</td>
<td>Industry level</td>
<td>Cluster A</td>
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<td>Copyrights</td>
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<tr>
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<td>Strategic Goals and Planning</td>
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<td>Artist Development</td>
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<td>Resources</td>
<td>Cluster B</td>
<td>Cluster C</td>
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<tr>
<td></td>
<td>Customer service-managed firms</td>
<td>Artist-managed firms</td>
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<td>High-perf. firms</td>
<td>Low-perf. firms</td>
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<td>Resources</td>
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<td>Cluster C Artist-managed firms</td>
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<td>Capabilities of the Artist</td>
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<td>Networking</td>
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<td>Credibility in the Marketplace</td>
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</table>

Notes: (a) Z-scores greater than 1.00 are indicated for key resources in each category.
As illustrated by Table 7, results generally showed that key resource sets differed depending on the performance category and the level of analysis. Thus, results changed as the analyses moved from a broad-level examination across the aggregated industry sample to the cluster level, with outcomes also based on performance. Presented below are some of the notable findings from this comparative Z-score analysis.

5.6.1 High-Performance Industry Findings Differ from Aggregate Industry Findings

It was shown that resource profiles at the high-performance industry level rarely represented the resource profiles in firms across the aggregate industry sample. Only one resource in the high-performance industry sample, *Marketing and Promotions*, overlapped with the whole-of-industry sample, which consisted of six resources in total.

Three other resources were identified as important in high-performance industry level firms: *Entrepreneurial Capabilities, A & R Activities*, and *Customer Focus*. However, these three resources were not seen as important across the whole-of-industry sample.

The finding that only one resource, *Marketing and Promotions*, overlapped with the key resource profiles of high-performance firms across the industry level and those across the aggregate sample, is a finding consistent with research from Carmeli (2001) that showed key resource profiles do differ depending on the performance category of firms.
5.6.2 High-Performance Industry Findings Differ from High-Performance Cluster Findings

The Z-score analysis revealed that resources appearing important across the high-performance industry sample were not always those resources identified as important to the high-performance cluster samples.

For example, **Entrepreneurial Capabilities**, **A & R Activities**, and **Customer Focus** were three of the four key resources emphasised by high-performance firms across the industry level. Yet, these resources appeared inconsistently in the high-performance categories across each cluster. **Entrepreneurial Capabilities** was not present in any high-performance clusters, but was found in low-performance Cluster B firms. **A & R Activities** was found in high-performance Cluster A firms, but in no other clusters. **Customer Focus** was a key resource in high-performing Cluster B firms, but no others. These findings suggest that a broad industry-level analysis, even when performance is considered, can produce findings that are inconsistent when a more fine-grained analysis is undertaken.

5.6.3 High-Performance Cluster Findings Differ from High-Performance Industry Findings

Findings further revealed that some resources in high-performing clusters were not uncovered at the industry-level analysis, even when performance was considered. **Sales Activities**, and **Capabilities of the Artist** were two resources found to be key to high-performance firms at the Cluster level. **Sales Activities** was found to be key to high-performance Cluster A firms, while **Capabilities of the Artist** was found to be
key to both high-performance Cluster A and C firms. However, both resources were not identified as important at the industry level, even by performance.

This finding suggests that research methodologies delving beyond an industry-level analysis may uncover key resources in important subsets of the industry sample that were not apparent at the higher levels of aggregation.

5.6.4 Low-Performance Industry Resources Found in High- and Low-Performance Clusters

It was also found that certain resources shown to be common amongst low-performance firms at the industry level were, in some cases, the same resources that were key to high- and low-performance firms in certain clusters.

For example, Relations with the Artist was shown to be a common resource amongst low-performance firms across the industry level. However, the resource was found to be key to both high- and low-performance firms in Cluster C. Likewise, Firm Reputation and Quality Standards and Professionalism were found to be common to low-performance firms across the industry level, yet common to both performance categories in Cluster B.

That some resources were identified as low-performance at the industry level, yet were also found to be important across both performance levels in certain clusters suggests first, that the broad industry-level analysis is neglecting to find potentially important patterns amongst firm types. Second, that the cluster-level analysis might be identifying resources that are, by and large, necessary for the livelihood of those
firm types, but *not sufficient* to achieve a competitive advantage in isolation within those organisations. These “complementary” or “co-specialised” assets (Teece, 1986) may provide value to the firm as a whole and be a vital component of a resource cluster (Foss, 1998).

The Z-score analysis undertaken in research aim 4 was useful in determining an average score of “resource emphasis” based on the resource profile of the given groups (i.e., industry, cluster, and performance groups) and comparing the scores denoting resource emphasis between groups. However, the following section diverges from the use of averaging as it aims to identify the firm-specific top three resources chosen by high-performing firms across the industry level in order to pinpoint specific sources of advantage (i.e., strategic and complementary assets).

5.6.5 Summary

The purpose of research aim 4 was to compare the outcome of resource emphasis across the industry and cluster levels of analysis, by performance. The findings illustrate that key resource sets differed, depending on the performance category and the level of analysis used. Thus, results changed as analyses moved from a broad-level examination across the aggregated industry sample to the cluster level, as based on performance.

Outcomes from this research aim showed that clustering firms within a single industry based on commonalities is an important step in RBV research. Not only can it illustrate the intra-industry variability that results in distinct firm groupings, but also it can identify the unique firm-specific assets derived from each cluster.
Research that fails to group firms based on commonalities tends to rely on the effects of “averaging” across data samples to inform conclusions. However, as shown here, averaging can only provide information concerning the average “representative” firm, not information pertaining to the unique firm-specific assets that underpins competitive advantage (Aharoni, 1993).

The findings here direct researchers to look within each cluster and to the level of the individual firm in order to uncover the firm-specific assets and related managerial processes that are at the heart of competitive advantage. A more in-depth firm-level analysis in resource-based research is consistent with the main tenets of the theory that suggest resources key to sustained performance within firms are only likely to be found at the level of the firm where truly unique and valuable resources and managerial processes can be apparent. As Peteraf and Barney (2003) observe, a defining feature of the RBV is that it can provide a firm-level analysis of sources of advantage.

Researchers relying on averaging methods to link certain resources with samples of high-performing firms could be implicitly putting forward a counter-theory to proponents of the resource-based view. Such a theory might more closely resemble something such as a “common resource theory”, which explores certain resource types that are shared consistently amongst high-performing organisations, but that are not necessarily sufficient to provide a competitive advantage.
5.7 Chapter Conclusion

The purpose of chapter 5 was to present the findings concerning the three clusters of firms that emerged from the sample based on resource emphasis and firm commonalities. In addition, resource emphasis at the industry and cluster levels was established, by performance and Z-scores were calculated in order to facilitate a comparison of resource emphasis across the different levels of analysis. Finally, in accordance with resource-based tradition, potential strategic and complementary assets were identified at the industry level from high-performance firms.

Findings across the industry level showed that key resource sets, containing resources from three of the four start list codes, differed in high- and low-performance firms. However, one resource, Marketing and Promotions, overlapped in both performance categories, suggesting it may be a necessary industry resource, yet not entirely sufficient to achieve a competitive advantage.

The cluster level findings revealed three distinct groups from the sample that were differentiated by resource emphasis and certain demographic characteristics. In particular, notable differences between the clusters were evidenced by the managerial perceptions of some resources (e.g., copyrights), the mission statements, the reported firm performance, and the perceived importance of firm profitability.

A comparison of Z-scores across the industry and cluster levels, by performance, revealed that resources previously shown to be important across the aggregated industry and cluster levels were not equally represented at the cluster level when high- and low-performance firms were considered. The resources chosen by high-
and low-performance firms differed, even within the same cluster, and very little overlap was found between performance categories.

The next chapter moves towards an individual firm-level analysis in order to better examine the effects of resource use, sans the previous methods of evaluating findings across aggregated data. If clustering firms and exploring performance differences within each cluster at the level of the firm better reflects the variability of firms’ key resources, it questions whether the commonly accepted method of identifying key resources superficially using broadly aggregated data is a valid methodological approach to uncovering the resources that are capable of becoming strategic assets.
6. FIRM-LEVEL FINDINGS

6.1 Introduction

The previous chapter presented the findings from research aims 2 to 4 of the research. These Stage 2 findings identified resource emphasis across the aggregated industry sample, revealed three distinct clusters of firms that emerged from the industry sample based on resource emphasis, and compared resource outcomes at the industry and cluster levels. Performance differences at each level were also considered.

This chapter presents the firm-level findings from research aims 5a, 5b, and 5c that comprise the final research aims for Stage 2 of the study. Research aim 5a, outlined next, commences this analysis.

6.2 Research Aim 5a

5a. To identify the firm-specific key resources from across the industry sample that meet the criteria necessary to be strategic assets.

In order to ground this study theoretically in resource-based tradition, it was important to assess the extent to which some of the intangible resources identified in this thesis met the criteria deemed necessary to convey a competitive advantage. The level of the firm is part of the third and final level of analysis examined in this thesis. The high-performance firms across the industry sample, as identified by research aim 2, were examined in terms of their top three resource picks. A firm-level analysis across the industry level can show whether or not the valuable resources
held by high-performing firms are widely held (i.e., “rare”) by other industry firms. While short-term, not long-term performance was examined in this thesis, the “value” and “rarity” of the resources could still be practically ascertained.

According to the logic of the RBV, “value” is an important resource attribute to assess since the use of certain resources cannot be advocated in absence of this information. To connote an element of resource value, managers participating in this study were asked to identify resources that were “important contributors to [their] firms’ profitability” and “that the firm currently emphasises in order to maximise its financial performance”. Only the most emphasised resources (those rated +3), thus most valuable resources were considered during this research aim as managers nominated these resources as the most important contributors to firm profitability.

The “rarity” of a valuable resource suggests that managers who have it will be at an advantage if competing firms are unable to easily acquire or develop the resource. One way of characterising the rarity of resources is to count them (Barney & Arikan, 2001), as was undertaken in this thesis.

Table 8 below presents an industry-wide analysis of the top three resource picks chosen by managers from high-performance firms. The table below also examines the extent to which these valuable resources are rare. Resources that are both valuable and rare are identified in boldface and are considered potential strategic assets.
### Table 8

**Industry-wide Analysis: Key Resources Chosen by High-Performing Firms**

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<tr>
<th>Key resources</th>
<th>#4</th>
<th>#5</th>
<th>#11</th>
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<th>#15</th>
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<th>#25</th>
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Notes: (a) the top three resources chosen by firms (those rated +3) are indicated by the number 3.

(b) the numbers in boldface represent resources that are potential strategic assets.
As indicated by Table 8, a number of resources emerged as both valuable and rare and therefore potential strategic assets:

- Artist Development
- Entrepreneurial Capabilities
- Shared Vision and Culture
- Collaborations with Other Firms
- Copyrights
- Capabilities of the Artist
- Quality Standards and Professionalism
- New Process Developments, and
- The Use or Knowledge About Customers/Competitors.

The resources that appear valuable but more commonly used (i.e., indicated at least three times in Table 8) are the complementary resources or assets:

- Marketing and Promotions
- Business Relations
- Relations with the Artist
- A & R Activities
- Sales Activities

In accordance with resource-based thought, resources that are both valuable and rare are the drivers of a temporary or sustained competitive advantage. These potential
strategic assets are supported by complementary assets, which are valuable resources that are more commonly held by competing firms.

The strategic and complementary assets identified above give more information about the kinds of resources capable of conveying a competitive advantage across an industry sample. However, these findings are complicated by the marked difference in performance rankings between the cluster groups identified in research aim 3b that equate to an over-representation of A & R-Managed firms in the high-performance industry sample. As indicated in Table 8, 64% of firms are from the A & R-Managed sample, 27% of firms are from the Customer Service-Managed group, and 9% of firms are from the Artist-Managed cluster.

Resource-based theory suggests that the lower-performing clusters are trailing in comparison to A & R-Managed firms simply because they are not emphasising the same resources. However, the cluster-level findings from 3b show that the different cluster groups do not consider resources in the same way, do not have the same intentions regarding firm profitability, and consist of markedly different firm types. Thus, findings from this thesis suggest that just because firms share an industry, does not necessarily mean they should be using the same resources. The Discussion section of this thesis elaborates further on this finding.

Outcomes from this research aim support Rouse & Daellenbach (1999, p. 491) who maintain that failing to control for industry and strategic group commonalities in RBV research could “confuse efforts to sort out any contextualised locus of
advantage”. Firm-level research within each cluster may provide further information about the kinds of resources capable of providing a competitive advantage.

6.2.1 Summary

In order to ground this study in its traditional RBV roots, this research aim sought to identify the firm-specific strategic assets across the industry level that met the criteria necessary to convey a competitive advantage. A number of strategic and complementary assets were unveiled during this undertaking. The earlier Z-score analyses assessing resource emphasis at the industry and cluster levels, by performance, was not able to pinpoint the firm-specific resources on a case-by-case basis or assess the value and rarity of resources due to its use of an “averaged” score.

Findings for the current research aim revealed a number of potential strategic and complementary resources that firms may use in some combination to effectively attain a competitive advantage. However, findings must be viewed in light of the fact that the high-performance industry group examined in this research aim was over-represented by firms in the A & R-Managed group. This outcome suggests the legitimacy of a cluster-level analysis but directs further analyses to the level of the firm, within each cluster group. The following research aim commences this endeavour.

6.3 Research Aim 5b

5b. To identify the overlapping key resources chosen by high-performing firms from within the cluster(s).
Identifying the overlapping key resources at the level of the firm, by cluster, is the second part of the third and final level of analysis examined in this thesis. The purpose of this research aim was to identify the key resources within each cluster that were consistently being nominated by high-performance firms as important to their profitability. Unlike the firm-level industry analysis conducted in 5a, no assessment of potential strategic assets (e.g., “rarity”) can be undertaken here due to the small sample groups. This research aim precedes research aim 5c that illustrates the significant differences in how resources that appear to be the same can be distinguished by how they are understood and used by managers.

The current research aim was addressed through first identifying the top three resource choices from each high-performing firm from each cluster. Only resources rated in the +3 column were a focus of this research aim since managers rated them as the greatest contributors to firm profitability. The resources were identified as overlapping if at least two high-performing firms from within each cluster rated the same resource in the +3 column during the sorting exercise.

Table 9 below shows each high-performing firms’ top three resource picks from within each cluster. The key resources (those rated +3) that overlap are identified in boldface. Table 9 shows that at least two high-performing firms from within Cluster A, A & R-Managed firms (cases 5, 12, 20, and 25) overlapped in their +3 rating of A & R Activities, Sales Activities, and Business Relations. In Cluster B, Customer Service-Managed firms (cases 18, 29, and 30), only Networking Activities presented as an overlapping key resource by two firms in that cluster. In Cluster C, Artist-Managed firms (cases 4, 19, 21, and 24), four resources overlapped: Marketing and
Promotions, Business Relations, Relations with the Artist, and Credibility in the Marketplace.
**Table 9**

**Firm-Level Analysis: Overlapping Key Resources Chosen by High-Performing Firms in Each Cluster**

**Firms in Each Cluster**

<table>
<thead>
<tr>
<th>Key resources</th>
<th>Cluster A (A &amp; R-Managed firms)</th>
<th>Cluster B (Customer Service-Managed firms)</th>
<th>Cluster C (Artist-Managed firms)</th>
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<td>A #5</td>
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<td>A #25</td>
<td>B #18</td>
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<tr>
<td>Shared Vision and Culture</td>
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<td>Collaborations with Other Firms</td>
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<td>A &amp; R Activities</td>
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<td>Marketing and Promotions Activities</td>
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<td>Capabilities of the Artist</td>
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<td>Sales Activities</td>
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<td>Strategic Goals &amp; Planning</td>
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<td>30. Business</td>
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<td>Key resources</td>
<td>Cluster A A &amp; R-Managed firms</td>
<td>Cluster B Customer Service-Managed firms</td>
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<td>Entrepreneurial Capabilities</td>
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<td>Relations with the Artist</td>
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<td>Artist Development</td>
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<td>Quality Standards &amp; Professionalism</td>
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<td>Customer Focus</td>
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<td>Time Management</td>
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<td>Firm Reputation</td>
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### Key resources

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<tr>
<th>Key resources</th>
<th>Cluster A A &amp; R-Managed firms</th>
<th>Cluster B Customer Service-Managed firms</th>
<th>Cluster C Artist-Managed firms</th>
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<td>Competitors</td>
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<td>Credibility in the Marketplace</td>
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**Notes:** (a) overlapping key resources (those rated +3) are in boldface.

### 6.3.1 Summary

Earlier findings from this thesis showed that firms from within a single industry could be clustered according to resource emphasis and shared firm characteristics, thus showing three separate “populations” of firms that were bounded by commonalities in resource emphasis, managerial perceptions, and shared demographic characteristics. Findings also illustrated the various “key resources” important across the industry and cluster level groups, by performance. A firm-level
examination also uncovered the potential strategic and complementary assets across the industry sample.

Unlike research aim 5a, the purpose of the firm-level, within-cluster analysis of 5b was not to evaluate the extent to which firm resources are strategic assets since criterion such as the “rarity” of resources could not be assessed given the small sample size of each high-performing group within each cluster.

The purpose of research aim 5b was to further examine the heterogeneity at the heart of the RBV by delving within each of the three clusters to identify the resource profiles and the overlapping key resources chosen by high-performing firms. The findings showed that upon closer examination, variability in resource profiles is not only evident between clusters, but also within clusters, even when some resource preferences overlap. The main findings from research aim 5b, as compared with earlier cluster-level findings, are summarised below, by cluster:

**Cluster A: “A&R-Managed” Firms**

The cluster-level findings revealed in research aim 3b showed that the key resources distinguishing firms clustering into A & R-Managed firms were *A & R Activities*, *Marketing and Promotions*, *Copyrights*, and *Relations with the Artist*.

When performance was considered in research aim 3c, findings showed that in addition to *A & R Activities* and *Marketing and Promotions* found in 3b, the high-performance firms in this cluster also chose *Business Relations*, *Sales Activities*,
Capabilities of the Artist, Strategic Goals and Planning, and Artist Development as key resources.

The firm-level analysis of A & R-Managed firms explored by research aim 5b identified a different key resource set to those found at the cluster level. The firm-level analysis identified the following key resources as those chosen by at least two managers in Cluster A:

- A & R Activities
- Business Relations
- Sales Activities.

Thus, only three resources emerged as significant at the level of the firm. It appears that many of the resources found to be important to high-performance firms at the cluster level were a product of averaging methods that elevated the importance of some resources—even though it is apparent at the firm level that managers rarely rated them in the +3 column.

**Cluster B: “Customer Service-Managed” Firms**

Cluster-level findings revealed earlier in research aim 3b showed a number of key resources distinguishing firms clustering into Customer Service-Managed firms from the other clusters. These resources were Networking Activities, Quality Standards/Professionalism, Customer Focus, Firm Reputation, Entrepreneurial Capabilities, and Strategic Goals and Planning.
High-performance cluster-level findings in research aim 3c added a number of significant resources to the above list from 3b: *Business Relations, Time Management*, and *Use or Knowledge About Customers or Competitors*. *Entrepreneurial Capabilities*, while important at the cluster level explored in 3b, was not significant once performance was considered.

However, the firm-level analysis of Customer Service-Managed firms explored by the current research aim identified only a single, overlapping resource emphasised by managers in high-performing firms:

- Networking activities

**Cluster C: “Artist-Managed” Firms**

Cluster-level findings identified earlier in research aim 3a identified a number of key resources that were important to Artist-Managed firms. Unlike other clusters, these resources tended to place a considerable focus on the artists themselves. Such resources included *Relations with Artist, Capabilities of Artist, Artist Development, Business Relations, Marketing and Promotions Activities, Quality Standards and Professionalism*, and *Credibility in the Marketplace*.

High-performance cluster level findings revealed in research aim 3c included the above list of resources from 3a, except for *Artist Development* and *Quality Standards and Professionalism*.

The firm-level analysis of A & R-Managed firms explored by the current research
aim identified four of the above key resources found at the cluster level. The four resources that were selected by at least two managers in that group are as follows:

- Marketing and Promotions
- Business Relations
- Relations with the Artist
- Credibility in the Marketplace.

The general findings from research aim 5b demonstrate the effects of “averaging” methods in that some resources thought to be common to high-performance firms at the cluster level are not represented at the firm level on a case-by-case basis. Findings also illustrate that any research aiming to identify a list of “key resources” across the industry and cluster levels are most probably finding complementary assets, not strategic assets since such research aims to uncover what is common, not different amongst firms.

Outcomes revealed that despite some overlap in resource emphasis, firms from within each cluster relied upon distinct resource sets in order to maximise firm performance. The finding that each firm relies upon different key resource sets is consistent with the RBV theory of heterogeneity—that all firms have systematic differences in terms of resources they use and control.

While this research aim superficially identified potential strategic and complementary assets by pinpointing the top resource picks of high-performance firms, no attention was given to the ways in which managers used the resources to
confer value. Thus, while overlapping resources may appear to be complementary, they may be strategic assets if the strategies used to exploit the resource are valuable, rare and inimitable (Barney, 2001a).

The following research aim seeks to illustrate the heterogeneity of resource use at the firm level within each cluster by examining the distinct ways the overlapping resources can be used in order to generate firm profits. Despite the shared resource emphasis from some firms within each cluster, resource-based theory suggests that how those resources are understood and used within the firm are likely to be quite distinct. A consideration of process at the level of the firm further illustrates the inadequacy of “averaging” methods used during other levels of analysis to identify sources of advantage.

6.4 Research Aim 5c

5c. To examine the distinct ways in which key resources that are common to some high-performing firms within each cluster are understood and used by firms.

In order to address this research aim, firm managers were asked why and how they used their top three key resources to generate firm profitability. A comparison was drawn between the responses of managers from within each cluster whose key resources overlapped in order to illustrate the similarities and differences in how managers understand and use their key resources.
The distinct responses given by firm managers show the different ways the key resources are considered and emphasised by the firm.

6.4.1 Cluster A: “A&R-Managed” Firms

To review, 11 managers defined Cluster A, A&R-Managed firms. Such firms were either large multinational companies or large independent record labels grossing from approximately $100,000 to in excess of $30 million per annum.

The firm-level analysis of A & R-Managed firms explored by the research aim 5b identified the following key resources as those chosen by at least two managers in Cluster A:

- A & R Activities
- Business Relations
- Sales Activities.

Examples of the similarities and differences in how these managers understand and use these key resources are illustrated below.

A & R Activities

Two high-performing A & R-Managed firms chose A & R Activities as a key resource. Both firms described how A & R Activities underpinned their Sales Activities, but also cited distinct reasons for emphasising this resource. For case #20, which previously operated solely in distribution, the move to focus on A & R Activities was a diversification strategy to generate more products to sell.
In contrast, case #12 reported that *A & R Activities* was always a focus and main profit driver for their multinational company. These contrasting perspectives are outlined below:

We were already well established in the imported labels... we needed to go to the next level, that’s why we put a lot more emphasis into A&R... You’ve got to spend your time in A&R to get your products so you can sell. (Case #20.)

A&R…is core to what we do because if we’re simply in the process of exploiting existing copyrights then it’s really… kind of a… declining business… [A&R] is actually the main profit driver… the one area of the business that is still reasonably robust is new releases… new signings. (Case #12.)

As illustrated above, the timing with which *A & R Activities* was implemented into the firms illustrates the distinct ways in how the resource was understood and used differently by the managers. For case #20, the resource was a diversification strategy in order to generate more profits; for case #12, *A & R Activities* was a resource upon which profitability always relied.

**Business Relations**

Two high-performing A & R-Managed firms selected *Business Relations* as a key resource. Both described how *Business Relations* involved having “good relationships” with various stakeholders. However, for case #20, attending conferences and seminars enhanced this resource, while for case #25 excellent
communication and efficiency enabled good Business Relations. Both perspectives are outlined below:

We’ve always had a lot of emphasis on… building the relationships with the suppliers because if you have a good relationship [with them] you’re getting the right product at the right price at the right time and selling it. With distributors as well... we spent a lot of time going to different conferences and exhibitions... because once they’re set up – you feed them your product and it increases sales. Also, to be well connected to the media to get your Artists releases reviewed…. (Case #20.)

Business relationships. Because we deal with a lot of different labels from overseas... it’s very important that... we communicate well... have good relationships with... a wide spectrum of media... newspapers and radio stations etc... [We] offer a good and efficient service... We’ve got to be responsive to our customers’ needs, without being bullied. (Case #25.)

As can be seen from the above quotes, how Business Relations were understood and used by managers differed between the two cases. For case #20, the resource was built up as part of a system with suppliers, distributors and the media and was enhanced by attending conferences and exhibitions. For case #25, Business Relations was established by maintaining communications, efficiency, and responsiveness with overseas contacts, media, newspapers, and radio stations.

Sales Activities

In two high-performance A & R-Managed firms, Sales Activities was identified as a
key resource. For case #20, investing in a number of sales personnel and providing good incentives and training programs enhanced *Sales Activities*. Alternatively for case #25, *Sales Activities* were ensured and maximised by targeting a certain demographic:

In sales, unlike the majors where they have reduced their Sales force, we’ve actually increased it... It’s not like we’re [a multinational firm] who has [a top selling Artist]… we’ve always tried to employ salesmen on good salary packages, commission packages, and empower them... we also try to send them off to courses and train them continually to be thinking about how you approach a new product, new product lines… (Case #20.)

We’re marketing and selling records... to the over 30’s... they have the time and the money to go out and buy, and... they’re not the ones that are going online in such big numbers and downloading. (Case #25.)

As illustrated above, differences exist in how *Sales Activities* were exploited in the firm in order to generate firm profits. For case #20, *Sales Activities* involved establishing an exemplary sales team, providing the team with ongoing training, and increasing the *Sales Activities* in the firm. For case #25, the resource was maximised by targeting a certain demographic that was more likely to buy the product.

6.4.2 Cluster B: “Customer Service-Managed” Firms

To review, eight managers defined Cluster B, Customer Service-Managed firms. In contrast to larger A & R-Managed firms representing Cluster A, the Cluster B
Customer Service-Managed firms were generally small “service-oriented” businesses whose gross annual incomes averaged $24,000.

The firm-level analysis of Customer Service-Managed firms explored by research aim 5b identified only a single, overlapping resource emphasised by managers in high-performing firms:

- Networking activities

The similarities and differences in how managers undertake Networking Activities is illustrated below.

**Networking Activities**

The single overlapping resource for high-performance Customer Service-Managed firms was Networking Activities. Case #30 described how she Networks through other businesses in order to stay informed and keep her business relevant.

On the other hand, case #29 reported Networking with the media rather than other businesses in order to generate firm profitability. It can be seen that case #29 placed more emphasis on self-promotion rather than information-seeking in comparison to case #30. The differences in how these two cases understand and use Networking Activities are illustrated below:

Keeping up my business relies on me networking with [other] business... I do a lot of consultancy for a lot of people in the music industry so therefore I need to find out what’s happening in the industry... what other businesses are doing, what
some of the service or support organisations for the industry are doing. (Case #30.)

The best case of networking we’ve gotten so far was the [newspaper] article... the front cover and then a full page article in the feature section... that [occurred as a result of] us sending off a letter to the [newspaper] basically being really arrogant... 'we are the men you should be interviewing, we know what we’re on about, we’re the future type thing’... from that we did work with... [major company]...
[and] clothing companies... you have to be constantly out there looking for people... who can introduce you to this and that.... (Case #29.)

The aforementioned quotes demonstrate the differences in how managers understand and engage in Networking Activities in order to generate profitability for their firms. For case #30, Networking meant staying informed and was maximised by initiating contact with other businesses, service and support agencies within the industry. For case #29, Networking involved self-promotion and was best enhanced through courting the media and being on the lookout for other important contacts.

6.4.3 Cluster C: “Artist-Managed” Firms

As discussed earlier, 11 managers defined Cluster C, Artist-Managed firms. Similarly to the Customer Service-Managed firms in Cluster B, Artist-Managed firms were typically “micro” or small independent record label firms. These Artist-Managed firms reported an average gross annual income of approximately $20,000.

The firm-level analysis of A & R-Managed firms explored by research aim 5b identified four key resources. The four resources that were selected by at least two managers in that group are as follows:
- Marketing and Promotions
- Business Relations
- Relations with the Artist
- Credibility in the Marketplace.

While similarities were evident in the responses of managers whose top three resource picks overlapped, differences were apparent in how these managers understand and use their key resources, as illustrated below.

**Marketing and Promotions Activities**

For high-performing Artist-Managed firms, two cases chose *Marketing and Promotions* as a key resource. Both firms acknowledged that “new” approaches were necessary in order to generate interest from the media and/or the music consumer. Both firms also stressed the importance of having an international or “world” focus in relation to *Marketing and Promotions*, and being alert for more opportunities to broaden their reach.

However, for case #4, *Marketing and Promotions* were enhanced by having the right material and people to promote the music, while with case #21, the resource was enhanced by understanding their heavy metal music consumer and by pre-empting market trends. The two perspectives are outlined below:
It’s having the right material and the right people to take it out and not to blow it.

I’ve sat with promotions people and seen them presenting great records in the worst possible way... and just cringed... We don't advertise - it’s mainly word of mouth and... internationally just chasing companies from time to time... what are they doing in Australia, what’s their representation here... making sure they know what we do…. (Case #4.)

As a general rule we can’t follow trends... we have to target [our consumers] as if it’s their lifestyle, and it is... They have to be made feel that... our product is something that they have to have. We try and keep in touch with what is happening, not just locally but around the world within this scene... where certain trends might be heading and... what [our consumers] are getting into, not just as far as the music that they’re listening to but the computer games they might be playing, what movies they’re watching, the fashions... the culture in general. (Case #21.)

The two quotes above show differences in how managers understand and approach the Marketing and Promotions of their product in order to generate firm profitability. While an international focus directs the two companies’ Marketing and Promotions activities, case #4 looks internationally in order to acquire more artists/product to represent, while case #21 seeks an international perspective in order to pre-empt client trends. Further differences exist in that case #4 relies on having the right product and the right individuals to promote the material, while case #21 focuses on knowing who their client is.

Business Relations

For two high-performance Artist-Managed firms, Business Relations was a key
resource for profitability. Both firms reported that *Business Relations* is a resource developed over time or the long term. However, for each firm, *Business Relations* involved a different focus.

Case #4 described having more “strategic” *Business Relations*, while for case #24, *Business Relations* concerned the firm’s relationships with the artists and the customers. More emphasis for this firm was placed on learning and shared experiences. Both case perspectives are outlined below.

Strategic relationships... just dominates what we do and... if we didn’t have good relationships... with the media - then our promotion would be a basically a waste of time. If we didn’t have good relationships with the artists or the labels then we wouldn’t have music promoted in the first place.... (Case #4.)

[Our] goals or... values as a business is our relationships with the people that we deal with... our artists and our customers... Just in the way we hold ourselves and deal with people... we develop those relationships and... share their experiences... we learn a lot from people who’ve been in the industry a long time and they can show you.... about the transitional things that come and go over the years.  

(Case #24.)

The quotations above illustrate how *Business Relations* is understood and used as a distinct resource for the two firms. Case #4 views *Business Relations* as a strategic activity that involves relations with the media, artists, and labels. Alternatively, case #24 understands *Business Relations* as that which is focussed on the relations with the artists and customers, and the exchange of shared experiences and learning.
**Relations with the Artist**

Two high-performance Artist-Managed firms chose *Relations with the Artist* as a key resource. Case #19 described how understanding and focusing on the artist’s needs attracts business to his firm. Alternatively, for case #24, *Relations with the Artist* involved the passion and fun between artist and label that was fostered by encouraging a cooperative approach between artists on the label:

Your relationship with artists is essential to make people desirable of your facility...

So if you don’t understand what makes artists think and how they operate, I don’t think you can possibly succeed because after all, you’re servicing his dream... As you're working in the creative process... you have to make the customer or the client or artist feel especially important... that you’re prepared to go that little extra mile for them all the time. (Case #19.)

We love it. Our [label] is run by a passion for music and for artists... [we] have a lot of fun... That… gives us the ability to keep some passion in it... One of the biggest things we’ve tried to do is foster a good network amongst genuine artists so instead of setting up a competitive structure where one artists is trying to sell or outdo another one, we’ve found there’s a lot of benefits in setting it up so they work together accumulatively. (Case #24.)

The above quotations show that *Relations with the Artist* is viewed similarly by the two firms but that there are distinctions in how managers approach emphasising this resource. Case #19 uses empathy and understanding in order to make the artist feel important while engaging with the firm. On the other hand, case #24 encourages
networking and cooperation as opposed to competition between artists in the firm in order to accrue benefits.

**Credibility in the Marketplace**

*Credibility in the Marketplace* was chosen as a key resource by three high-performing Customer Service-Managed firms. Common to each firm was the understanding that *Credibility in the Marketplace* was a resource associated with the “quality” of the particular activities of the artists and/or music and the activities the firm is involved with.

However, differences existed in how the managers used the resource in their distinct firm types. Cases #4 and #24 placed a special emphasis on having “focus” or the right artists for the firm, how *Credibility* is damaged when firms go for “quick money”, or participate in projects that are substandard, and the importance of “maintaining” *Credibility*. Case #19 observed that his firms’ *Credibility* to produce artists is assessed by others in the industry. Each firm interpretation is discussed below:

One of the things that brings us Credibility is that we go in there and we have something a little bit different for them. Every now and again it crosses over to [radio, media] and they understand or it fits in with what they’re doing... it’s... about being... music focused and... maintaining that Credibility.... (Case #4.)

We want to see ourselves with Credibility in the Marketplace so that people are interested in what we bring out… and that comes down to making some smart decisions about what you release and how you market it, and not trying to go for the
easy or the obvious or the rich, or the controversial things to try and make a quick
buck out of something…. (Case #24.)

You achieve [Credibility in the Marketplace] by a range of works that you produce
and how they’re assessed by your peers, really. No matter what sort of equipment
you have or what personnel you have working with you, [it is about whether] the
industry thinks you’re capable of producing a quality product … (Case #19.)

_Credibility in the Marketplace_ was shown by the three distinct firms above to
represent the quality and choice of firm products/services or artists. However, for
each of these firms, _Credibility_ was also understood in ways that were unique to their
businesses. For case #4, having a “focus” or something unique by way of the artists
he promotes establishes _Credibility_ more so than going for options that generate
quick money. Case #24 understands that _Credibility_ for his firm concerns making the
right decisions about what his label releases, how it is marketed, and avoiding
controversial activities that could damage his firm’s _Credibility_. Case #19 observed
that _Credibility_ for his firm depends on the works he produces for artists and is
assessed by peers in the industry.

**6.4.4 Summary**

Research aim 5c sought to examine the distinct ways in which the overlapping key
resources found at the firm level in research aim 5b were understood and used by
firms. Only resources rated in the +3 column were a focus of this research aim, since
managers considered those resources to be of utmost importance.
Findings revealed that managers within the same cluster who chose the same key resource(s) evidenced distinct understandings and processes concerning the resources. Thus, variability in resource emphasis was not only evident between clusters as examined in research aim 3a and within clusters, as explored in 3c, but also was apparent in the rationales and micro-processes used by managers in order to maximise the value of their key resources.

The outcomes from the current research aim are supportive of RBV theory as they illustrate that (a) firms possess distinct resource profiles (Barney, 1991), (b) it is not resources in isolation that make them valuable but how they are used by managers (Aaker, 1989), (c) two resources perceived to be the same can be strategically equivalent provided that each of the strategies used to exploit the resource are rare, valuable and inimitable (Barney, 2001a), and (d) firms may achieve above-average profitability from often very distinct resource sets (Peteraf & Bergen, 2003). The following chapter will discuss further the implications of these findings for the development of the RBV and future research using the theory.

6.5 Chapter Conclusion

The purpose of chapter 6 was to present the firm-level findings for research aims 5a, 5b and 5c from Stage 2 of the research. The research aims concerned identifying the potential strategic assets from across the industry sample, identifying the overlapping key resources emphasised by high-performance firms from within each cluster, and examining the ways in which the overlapping key resources are understood and used by firms.
Findings from 5a revealed a number of firm-level strategic and complementary assets from across the industry sample. Outcomes provided more information than the earlier industry and cluster-level Z-score analyses that was unable to pinpoint the firm-specific resources on a case-by-case basis or assess “value” and “rarity” due to its use of an “averaged” score. However, findings were affected by the over-representation of A & R-Managed firms in the high-performance group. This outcome suggests the legitimacy of a cluster-level analysis.

The firm-level outcomes from 5b illustrated that despite some overlap in resource preferences within each cluster, each firm relied on unique resource profiles. Thus, variability was not only evident between clusters, but also within clusters. While firms may share some commonalities suggestive of a “population”, each firm presents as “unique” and perhaps as its own population. The heterogeneous distribution of firm resources across firms is consistent with resource-based theory (Barney, 1991).

The firm-level, within-cluster analysis further illustrated that some resources found to be important to high-performance firms at the cluster level were a product of averaging methods that elevated the importance of some resources.

Findings from 5c showed that despite some overlap in resource preferences, the understanding and the use of those key resources were unique to each high-performing firm. It appeared that managers were able to create potentially strategic resources from how they were used, provided that the strategies used to exploit the resources were rare and valuable. These findings support a firm-level, within-cluster
process approach to uncovering sources of competitive advantage. The following chapter will elaborate on the findings presented in the previous three chapters of this thesis, and implications for the resource-based view of the firm will be discussed.
7. DISCUSSION

7.1 Introduction

This chapter will commence by reviewing the current status of the RBV and the limitations of the theory that provided the rationale for this thesis. While the previous three chapters presented the results of the research aims that guided this research, the findings will be expounded. The important literature will be used to show the problems apparent in some resource-based work that this thesis sought to redress, particularly with respect to methodology. Practical and theoretical implications of this thesis will then be explored. Limitations will be outlined, and the discussion will conclude with future research suggestions for theorists interested in developing the RBV as a theoretical tool.

7.1.1 The Current Status of the RBV

The RBV is considered one of the more influential paradigms to emerge from the field of strategic management. While the onset of modern resource-based thought developed from around the 1980s (Foss, 1997), the theory is characterised by a fragmented process of development that incorporates principles from several major research streams including the organisational economics paradigm, mainstream strategy research, and industrial organisational thought (Mahoney & Pandian, 1992). The onset of the RBV was prompted by the growing dissatisfaction with the prominent industrial organisational model of strategy (e.g., Porter, 1980) that suggested a firm’s profitability was determined solely by its external environment. Thus, the central focus of the RBV is on the management of a firm’s internal resources and capabilities, and their link to firm profitability.
Empirical tests using resource-based logic have been conducted in various academic literatures, from Strategic Management, Human Resources, Marketing, Entrepreneurship, Technology and Innovation Management, amongst others (Barney & Arikan, 2001). However, it is within the discipline of Strategic Management that theorists have conducted the most empirical tests using resource-based logic. A number of assertions/research areas have been derived from the paradigm, but the two that were explored in the current thesis concerned the following:

- *The Impact of Resources and Capabilities* (Barney & Arikan, 2001) or the *Resource Heterogeneity Approach* (Newbert, 2007), which explores the performance effects of various resources.

- *Firm vs. Industry Effects* (Barney & Arikan, 2001), which examines industry vs. firm effects in explaining firm performance.

**7.1.2 Limitations of the Paradigm**

As addressed in chapter 2, the RBV has been subjected to various criticisms that this thesis aimed to address. One issue concerned the neglect of the process issues through which resources become valuable (e.g., Barney, 2001a; Lynch, 2000) despite researchers acknowledging that it is the *management* of resources and skills that is key to firm profitability and not the resources alone (Aaker, 1989). While process can only be explored at the level of the firm where managers are engaged in the identification, development and deployment of resources, many RBV studies have tended to avoid firm-level research in favour of using averaged findings across broad industry samples (Rouse & Daellenbach, 1999).
However, approaches reliant on “averaging” methods will only uncover what is the case for the average, “representative” firm (Aharoni, 1993), not identify those unique, firm-specific assets that can result in sustained profitability. Averaged findings provide a limited understanding of resources and their role in the firm, and may also be misleading, since outcomes have no relevance to any one firm.

The approach taken by the present thesis used a comparative approach, as validated by Gibbert (2006), so that resource outcomes could be explored across different levels of analysis. The differences in findings across levels of analysis demonstrate the effects of “averaging” methods and inform the development of the RBV. While both single and mixed-industry samples have been used in RBV research, the present thesis used a single-industry sample, since the strategic value of resources can be industry-specific (Amit & Schoemaker, 1993). In addition, the use of a single-industry fostered the discovery of a key resource set and identified more micro aspects of resources than possible in a multi-industry setting. Some studies using generic resource categories have struggled to characterise and pinpoint the key intangible resources that are important in generating firm profits (Johnson et al., 2003).

In addition to using a single industry, this thesis clustered firms based on commonalities, then examined the managerial processes at the level of the firm in order to overcome the past limitations of using broadly aggregated findings in RBV research (Rouse & Daellenbach, 1999). Performance differences between firms were also considered. This multi-level analysis allowed resource findings to be compared
across different levels of analysis (Gibbert, 2006) so that better insights could be
gleaned into how methodological choice can affect findings when using the RBV.

In order to facilitate theory-building and explore resource findings at each level of
analysis, a different research program was proposed than typically used in RBV
research. The subjective approach of Q methodology was used to tease out the
process issues that are important for theory development in RBV research. This
mixed-method approach pulls together opinions, subjective meanings, and factor
methodology to understand, rather than explain, phenomena (Brown, 1980). The
approach permitted the identification of manager groups with distinct resource
preferences so that the context of managerial processes could be better understood
(Brown et al., 1999).

7.2 Key Findings

7.2.1 Stage 1 Findings
The first stage of the research set out to generate a key resource set from our context
of interest by undertaking standardised open-ended interviews (Patton, 2002).
Thirty-four resources were empirically derived from the interview data that were
used for the sorting procedure in Stage 2 of the research (see section 4.2).

As discussed in chapter 2, previous resource-based studies examining the impact of
resources on firm performance have tended to either focus on one or a few resources,
or use lists of generic resource categories across broad industry samples (cf. Hall,
1992, 1993; Carmeli, 2001). Generic resource categories that are not generated with
consideration to a specific industrial context may be an incomplete representation of important resources to some sample firms. The current thesis identified a number of relevant and new, context-specific resources from a single-industry context. Where possible, more micro aspects of resource categories were also identified.

The creative context of the music industry explored in this thesis extends past research from Hall (1992, 1993) and Carmeli (2001) that used traditional firm types in their samples. The creative context allowed the identification of new resources and processes that can generate a competitive advantage. No comprehensive research of which the author is aware has used the RBV to empirically identify and explore the value of intangible resources within the context of the music industry, although some literature has made references to the importance of such resources. Such a context for exploration is timely for management research, because the music industry is an example of an industry that encapsulates the nature of business in the emerging cultural economy which is uniquely reliant on the value of intangible resources, particularly those concerned with artistic creativity.

The intangible resources identified in this study were comprehensive and representative of the music industry sample. The relevance of the resources was illustrated by the fact that 31 of the 34 resources were rated in the +3 column of importance by at least one manager. Thus, 91% of the resources were found to be of utmost importance to at least one manager participant. Some resources that were found to be valuable in the current study are new to resource-based literature, as described below.
Resources Identified as “New” to Resource-Based Literature

The 34 intangible resources identified as valuable to music industry firms in the present thesis were compared with those resources found and/or discussed in resource-based literature. Six resources found in the present study appear to be new to resource-based literature, as described below.

Time Management was identified as a resource in the current study by our participant sample of music industry managers. From the music industry literature, Kushner (2003) explored a similar resource when he examined the behaviours of artists and other individuals in the “supply chain of services that bring them to audiences” and discussed how artists are thought to use audience response and related information to direct their time allocation decisions. Time management appears to be a new resource to resource-based literature, although Carmeli (2001) uses the similar term “organising” in his study.

Artist Development, Relations with the Artist, and Credibility in the Marketplace appear new to resource-based literature, but have been discussed previously in music industry literature by Gander and Rieple (2004). The authors used the theory of transaction costs economics on the activities of music industry firms and identified these resources as “value-generating activities”.

A & R Activities have been identified only just recently as a potential key resource in a conceptual resource-based article from Seifer and Hadida (2006). However, the resource was discussed as a firm asset earlier in music industry literature. Sadler (1997) argued that the music industry is one which trades on information, and cited
“identifying and attracting new artists (A & R) for international success” as part of its business strategy.

Capabilities of the Artist are considered to be the most important element of the performance relationship according to music industry literature (Kushner, 2003). However, in resource-based studies, no such resource is referred to although “human capital” more generally is considered to be an important resource (Carmeli, 2001; Fernandez et al., 2000).

The discovery of resources new to resource-based literature is important because few resource-based studies have investigated the specific kinds of resources that may be important to certain industry types (Mosakowski, 1998). Resource-based theory understands performance differences between firms to be a result of their distinct resource sets. Firms can attain superior firm performance and potentially a competitive advantage through resources that are both valuable and rare. The identification of any new valuable industry-specific resources is important information for firms considering which resources to implement and/or emphasise.

7.2.2 Stage 2 Findings

Stage 2 of the research collectively aimed to explore the outcomes of resource emphasis, by performance, over multi-levels of a single industry. This thesis took a comparative approach (Gibbert, 2006) to resource analysis in order to explore the implications of methodological choice and the RBV. The literature review presented in chapter 2 identified a number of weaknesses concerning the methodology used in past resource-based studies. Research from Hall (1992, 1993) and Carmeli (2001)
was used to illustrate some of those shortcomings and provide direction for this thesis.

The main findings from Stage 2 were (i) the identification of three clusters of firms that emerged based on resource emphasis, firm characteristics, and managerial perceptions (ii) that key resource findings varied by level of analysis and firm performance, and (iii) that the same key resources at the level of the firm are understood and used differently by managers. These findings are discussed in turn.

Cluster-Level Findings

Exploring whether clusters emerged from a single industry as based on strategic group commonalities in resource emphasis was the second level of analyses to be conducted in this thesis. Through the statistical component of Q methodology, three clusters of firms emerged from the sample. As named to denote the firms’ main resource emphasis, the distinct firm clusters were labelled “A & R-Managed Firms”, “Customer Service-Managed Firms”, and “Artist-Managed Firms”. Each resource cluster evidenced not only commonalities in resource emphasis, but also in certain demographic characteristics, and managerial perceptions. A brief outline of the three clusters is presented next and is followed by a discussion of the importance of this finding.

The first cluster to emerge from the sample was entitled “A & R-Managed Firms” and consisted of 11 multinational or larger independent record labels firms. The key resources distinguishing firms clustering into this group concerned identifying and promoting new talent and protecting that investment. Firms in this cluster were
mostly privately-owned incorporated companies, generally older than firms in the other clusters, had more employees, and greater profitability. Managers representing these firms were less likely than those in other clusters to be an artist, to have completed a degree(s), and to have a second job. Work hours for these managers were longer and they had more industry experience than managers in other clusters.

The second cluster that emerged from the sample was entitled “Customer Service-Managed Firms”. These eight smaller service-oriented firms focused on attracting clients and providing high customer-service standards. Firms in this cluster were mostly sole traders, less established with fewer employees, and less profitable than A & R-Managed firms. Managers from this cluster were also dissimilar to those representing A & R-Managed firms in that they were more likely to be an artist, have a degree(s), work a second job, and work less hours per week in the music industry. Managers in this cluster had less industry experience than those in both other clusters.

“Artist-Managed Firms” were the third cluster to be identified. These 11 firms were typically small independent record labels that identified key resources centering on the relationship and abilities of the artist. Like the Customer Service-Managed group, firms in this cluster were largely sole traders, less established with fewer employees, and had a lower profit margin than firms in the A & R-Managed group. Similarly to those from Customer Service-Managed firms, managers from this cluster were also more likely to be an Artist, have a degree(s), and work a second job. Managers from Artist-Managed firms also worked less hours per week in the music industry than both other clusters and had more industry experience than
managers from Customer Service-Managed firms, but not from A & R-Managed firms.

In addition to distinctions in resource emphasis and demographic characteristics, Stage 2 findings revealed some notable contrasts in managers’ perceptions of certain resources from across the three clusters. Managers from each cluster group held similar perceptions of certain resources that were distinguishable by cluster type. For example, manager opinions of the resource *Copyrights* were at opposite ends of the spectrum from A & R-Managed firms and Artist-Managed firms. While the larger, multi-national A & R-Managed firms considered *Copyrights* to be a “primary ingredient” to their success, it was least on the agenda of the smaller Artist-Managed labels since they complained of not having enough resources to make it a priority, despite acknowledging its importance. Hoopes et al., (2004) suggest that in their pursuit of similar customers, firms develop unique strategies due to differences in their beliefs, preferences and objectives. Findings from this thesis show that firm beliefs, preferences and objectives can vary not only by firm, but by cluster group.

Further distinctions at the cluster-level pertained to how managers from each cluster perceived their firm, and hence, the importance of firm profitability. While firm profitability was a central focus for A & R-Managed firms, it was less so for Customer Service-Managed firms and particularly less so for Artist-Managed firms. In particular, it seemed “passion” and “credibility” were two main drivers for Artist-Managed firms that were seemingly incompatible with a primary focus on firm profitability. The following quotation illustrates this point:
I don’t want to [support new talent/records] just because I think it’ll make money; I only want to do things because I love them. (Case #24.)

The differing perceptions regarding the importance of firm profitability between cluster groups may also be partially explained by some of the demographic information obtained during the study. For example, 75% of managers from Customer Service-Managed firms and 82% of managers from Artist-Managed firms have a second job, compared to only 18% of managers from A & R-Managed firms. It could be that managers having a second income from outside of the music industry do not rely solely on the profits generated from their music industry firm so can afford to be more focused on the “art” rather than the “commerce” of their music business (Caves, 2000a).

In addition, 62% of managers from Customer Service-Managed firms and 64% of managers from Artist-Managed firms reported being artists in their own right, compared to only 18% of managers from A & R-Managed firms. As noted by Caves (2000a), artists place a high premium on the originality, resolution, and harmony of their creative product, often over and above pay and consumer demand. It may be that artists who manage or own companies have a business focus that is again, more driven by “art” than “commerce” (Caves, 2000a).

Furthermore, 27% of profit-driven A & R-Managed firms are publicly-owned incorporated companies and 55% are privately-owned incorporated companies. The Customer Service-Managed and Artist-Managed firms have no publicly-owned incorporated firms, as they are primarily sole traders (38% and 36% respectively).
and privately-owned incorporated companies (25% and 36% respectively). Profit-driven A & R-Managed firms may be more inclined to be profitable due to shareholder interest. These aforementioned distinctions in mission statements, manager intentions, and demographic characteristics help to understand why manager perceptions regarding firm profitability differed between cluster groups.

While manager perceptions of firm performance differed between cluster groups, the actual reported financial performance also differed markedly between cluster groups. As earlier revealed, Cluster A, A & R-Managed firms, collectively reported being the most profitable of the clusters while cluster C, Artist-Managed firms, reported being the least profitable, with cluster B, Customer Service-Managed firms in the middle. Normally, little variance in performance data would be expected between cluster groups. However, the performance differences between clusters prompted further analysis at the industry level to ascertain whether a disproportionate number of A & R-Managed firms were in the high-performing industry group. As earlier indicated, outcomes showed that 64% of A & R-Managed firms comprised the high-performance industry group, followed by 27% of Customer Service-Managed firms and 9% of Artist-Managed firms. Resource-based theory suggests that the lower-performing clusters are trailing compared to A & R-Managed firms simply because they are not emphasising the same resources. However, findings from this thesis suggest that just because firms share an industry, does not mean they should be using the same resources.

For example, the cluster-level findings from this study show that the different cluster groups do not consider resources in the same way, do not have the same intentions
regarding firm profitability, and consist of markedly different firm types. Thus, while it can be useful for all firms within an industry to note which resources the high-performing firms are emphasising, the differences between firm types suggests that it will not be practicable or relevant for all firms to adopt resources or strategies associated with the high-performance firms at the industry level that in the current study’s case, are comprised of mainly A & R-Managed firms. A small, Customer Service-Managed firm will not necessarily be able to use the same resources as a multi-national organisation that is engaged in different firm activities and has more resources at their disposal. Thus, while firms develop different strategies based on their varied beliefs, preferences and objectives (Hoops et al., 2004), it is also the case that firms may develop distinct strategies based on a lack of available resources upon which to draw.

Consequently, drawing prescriptive conclusions from high-performing firms at the industry level may not be helpful to some firm types given the aforementioned differences. Adopting or implementing resources must be assessed in light of firm intentions, firm size, lifecycle stage of the firm and other resources. A failure to consider such factors can, metaphorically speaking, result in prescriptive solutions for apples that are supposed to hold true for oranges. A greater understanding into the relationships between firm type, firm performance, and resource profiles can enhance traditional understandings of the resource-based view.

Resource-based and strategy research more generally has argued for the importance of single-industry research so that samples can be described comprehensively (Barney, 1991), greater control can be exercised over extraneous variations such as
industry characteristics and industry-specific problems (Bhaskaran, 2006), and the validity of resource findings can be improved (Rouse & Daellenbach, 1999). However, the finding of distinct cluster groups from a single industry sharing similarities in resource emphasis, perceptions of resources, and demographic characteristics suggests legitimacy in assessing firms at this cluster level.

That resource emphasis is linked to firm activities, firm age, firm size, managerial characteristics, and managerial perceptions provides important information about the distinct “populations” of firms that are contained within a single industry, and the kinds of resources that are considered crucial to firm profitability within each of the groups. Thus, clustering can reflect firm variations and commonalities within single industries that would otherwise not be captured in academic research (Rouse & Daellenbach, 1999).

Rouse & Daellenbach (1999, p. 491) maintain that failing to control for industry and strategic group commonalities in RBV research could “confuse efforts to sort out any contextualised locus of advantage”. In this thesis, the clustering step facilitated the multiple-level analysis and preceded further analysis at the level of the firm in order to seek out the unique firm assets from the high-performing firms. The following section discusses findings in relation to the multiple-level analysis examining resource emphasis.

**Key Resource Emphasis by Level of Analysis and Performance**

Collective findings from Stage 2 illustrated that key resource sets differed depending on the level of analysis, and firm performance. Thus, results changed as analyses
moved from a broad-level examination across the aggregate industry sample to the cluster samples, to the individual level of the firms, as based on performance. Differing outcomes between industry and cluster levels seemed to be affected by two main factors.

First, outcomes at the industry level when performance was considered seemed to be affected by the over-representation of A & R-Managed firms in the high-performance industry group and of Artist-Managed firms in the low-performance group. *Artist Development*, for example, was recognised as a potential strategic asset during an industry-wide analysis of high-performing firms – despite it showing no real effectiveness for firms other than those in the A & R-Managed group. This finding is interesting, not least of all because it makes it difficult to endorse the use of almost any resource, without careful thought about which firm types are benefiting most or least from the resource in question. However, had a cluster-level analysis not been undertaken in this research, there would have been no information pertaining to the prevalence of specific firm “types” within each performance category.

Two, inconsistent findings across the industry and cluster levels showed that “averaging” across samples at the higher levels of aggregation concealed much of the variability that the RBV purports to be necessary for isolating sources of advantage. *Customer Focus*, for example, was shown to be a most emphasised resource for high-performance firms at the industry level yet was only shown to be important to Customer Service-Managed firms at the cluster-level. *Entrepreneurial Capabilities* were shown to be a potential strategic asset and most emphasised
resource for high-performing firms at the industry level but was only emphasised at the cluster level by low-performing Customer Service-Managed firms. This finding supports Peteraf and Barney (2003), who reminds scholars that a defining feature of the RBV is that it can provide a firm-level analysis by which to uncover sources of advantage. It is only at the level of the firm where the nature of resources can be revealed, and where resources can potentially be assessed as strategic assets.

It is acknowledged that many resource-based studies examine resources across the aggregate level of industry, in both single- and mixed-industry samples. For example, research from Hall (1992, 1993) and Carmeli (2001) link resources to firm performance across an aggregated range of firms in order to show which resources are worthy of managerial attention. However, as this thesis illustrates, the findings from such literature may be misleading, as they are based on “averaged” findings that conceal much of the variability needed to tease out sources of advantage.

Furthermore, such research offers little advice to managers or scholars seeking to understand why the resources were implemented, how the resources are used in order to generate firm profits, and in which contexts the resources hold value. While this thesis found firm-specific strategic assets such as Artist Development, Capabilities of the Artist, Copyrights, Quality Standards and Professionalism, The Use or Knowledge About Customers/Competitors, Entrepreneurial Capabilities, and New Process Developments across the industry level, they were not necessarily the resources emphasised by the high-performing firms within each cluster. Furthermore, while the identification of these valuable and rare resource types are important, more information is needed pertaining to the processes through which the
resources become valuable. Next, the discussion turns to the outcomes concerning the managerial processes.

**Managerial Perceptions of Their Key Resources**

Findings from the interview component of Stage 2 found that managers whose resource profiles partially overlapped at the level of the firm do not describe equivalent rationales for processes relating to the implementation or exploitation of their resources. Thus, two managers from high-performing firms within a particular cluster may have chosen the same resource as one of their most emphasised (i.e., rated it +3). However, *why* those managers emphasised the resource in the first instance, and *how* they maximised its potential was found to be different between firms.

The outcomes relating to process are supportive of RBV theory, as they illustrate first that firms possess distinct resource profiles. That resources are distributed heterogeneously across firms implies that “firms of varying capabilities are able to compete in the marketplace” and breakeven if using marginal resources or earn rents with superior resources (Peteraf, 1993, p. 180).

The RBV is just one theory of competitive heterogeneity that seeks to explain why firms do not converge on a single way of doing business, as predicted by microeconomics. The RBV addresses firm-level diversity through a firms’ possession of resources that meet the criteria necessary to convey a competitive advantage (e.g., rareness, value). The assumption of resource heterogeneity adopted by the RBV is important because it directs researchers to more critically examine
intraindustry differences instead of seeking to uncover what is commonly the case amongst firms. Thus, in order to examine what distinguishes firms from each other requires an approach that enables firms to be differentiated from one another, not an approach reliant on aggregated or “averaged” findings.

The second reason why the findings support RBV theory is because it illustrates that it is not resources in isolation that make them valuable but how they are used by managers (e.g., Aaker, 1989). Resources, after all, provide a guiding vision of strategy (Coates & McDermott, 2002). A great number of RBV scholars have recognised that resource-based research can advance by examining the “application” of resources (Foss, 1997b; 1998), the “day-to-day activities” of organisations (Balogun et al., 2003; Johnson et al., 2003), or the process issues more generally (Barney, 2001a; Fahy, 2000; Lynch, 2000; Priem & Butler, 2001; Ray et al., 2004).

While resources do not generate value in isolation, many RBV studies using “averaging” methods often point to an individual resource as being a precursor to competitive advantage, and in doing so, overlook the fact that unless a firm has the complementary assets to exploit the key resources, the resources in question will not be effective. Research aim 4 (Table 8) highlighted a number of possible complementary assets upon which firms can rely to exploit a given resource. This analysis was done at the industry level using the high-performing firms from the whole of sample in order to provide an industry-wide view of the potential strategic and complementary assets. However, as earlier discussed, findings must be interpreted in light of the knowledge that 64% of firms in the high-performance industry sample were later found to be from A & R-Managed firms. Thus, as
previously noted, it is possible that some resources listed as strategic and complementary assets may not be as useful or relevant to firms from other cluster groups.

The finding that resources are not just valuable in isolation further support RBV authors who suggest that there is no “rule for riches” (Barney & Arikan, 2001). Thus, there was no resource found in the current thesis that suggests its use will generate a competitive advantage for any firm that uses it since the resources appear to gain value as part of a “system”. In addition, the value of a resource seems, in part, dependent on its relevance to the firms’ associated cluster or firm type. The firm-level analysis in Table 9 showing the (overlapping) key resources of the various cluster groups illustrated that not all resources were relevant to some clusters. Therefore, resources found to be important to one cluster may be irrelevant to another.

Third, the process findings here support RBV theory as they illustrate that two resources perceived to be the same can be strategically equivalent provided that each of the strategies used to exploit the resource are rare, valuable, and hence, more likely to be inimitable (Barney, 1991, 2001). Thus, while similar resources may produce strategically equivalent outcomes, the rareness and so forth of the services provided by the resources still must be assessed, as firms competing with alternative resources may be able to deliver a similar outcome to customers (Peteraf & Bergen, 2003).
Fourth, outcomes support RBV theory as they show that firms may achieve above-average profitability from often very distinct resource sets. Peteraf and Bergen (2003, p. 1032) argue that different types of resource bundles can be effective substitutes in producing a similar end product and “if there is equifinality among resources, then the scarcity of one type of resource is no concern, so long as another type is abundant”.

Furthermore, if different combinations of resources can be exploited towards the same end, it can be argued that the value and rareness of a resource may be better assessed collectively - as a function of the resource “bundle”, and not as freestanding resources (Peteraf & Bergen, 2003). Alternatively, the value of a new resource may come from its ability to fit into a system, thus highlighting how the “interplay” and “clustering” of resources may affect resource implementation (Foss, 1998).

7.3 Implications of the Research

While the RBV literature is replete with studies examining the value of intangible resources, not all research examining intangible resources have been linked with the RBV of the firm. For example, seminal works exploring intangible resources from Aaker (1989) and Hall (1992, 1993) are not grounded in the RBV, but often appear in resource-based literature (e.g., Fahy & Smithee, 1999) because of their emphasis on intangible resources as strategic assets. The strength of this thesis is that it used the theoretical lens of the RBV to identify a number of different intangible resources that possess varying degrees of the VRIO attributes then examined the impact of those resources on firm performance.
In addition to using resource-based theory, the present thesis informed the paradigm by linking more convincingly the theoretical and research components that have been largely neglected in past RBV research (Lynch, 2000). This thesis explored this linkage by adopting a comparative approach to examine the impact of resource emphasis across different levels of industry. The different resource findings shown across various levels of analysis suggest that past research using aggregated data and multi-industry samples can be misleading in its prescription to managers. Thus, it suggests the weaknesses of some past studies examining the impact of resources on firm performance across aggregate samples.

While resource findings were compared across levels of analysis, special attention was given to the process issues at the level of the firm where managers engage in identifying, developing, and exploiting their key resources. The exploration into why managers emphasise certain resources and how they use them in order to generate firm profitability can improve the utility of the RBV more so than studies investigating “differential performance” that pervade the strategy literature (Cockburn et al., 2000). Furthermore, the “what” and “how” questions posed in this thesis provided a framework for interpreting patterns in empirical observations, while the “why” questions extended the knowledge and boundaries of the theory (Whetton, 1989).

The current thesis also considered context in its theoretical development of the RBV by using a subset of the creative industries: the music industry. Using a creative industries subset is in contrast to the vast majority of RBV research that relies on the use of traditional firm types. The selection of a creative industries subset is important
due to the creative industries’ increasing prominence as a major economic
contributor (Jones et al., 2004) and the differences that set it apart from traditional
industries. The distinctive characteristics associated with creative industry firms
suggest implications for the resource base and managerial processes used in those
organisations.

Furthermore, creative industry firms are reliant on the kinds of intangible resources
that authors posit will be increasingly evident in the emerging creative economy
(e.g., Tepper, 2002). Scholars assert that examining key resources in particular
contexts can be useful in establishing the parameters and contributions of the RBV
(Priem & Butler, 2001).

This thesis also proposes a number of practical implications. The most explicit of
these implications was evidenced by a manager participant from a multinational
organisation. During a business conference, he provided index cards with each
resource name on it to every employee so that each person could sort the resource
cards according to their perception of resource emphasis within the organisation. The
manager recalled that the exercise was interesting, as it illustrated the degree of
consensus shared by employees and the firm, and also prompted discussions about
each person’s placement of resources.

While Barney and Arikan (2001, p. 173) assert that “resource-based logic cannot be
used to create sustained competitive advantages when the potential for these
advantages does not already exist”, a number of other practical implications stem
from this research. For example, music industry managers in firms that are
strategically disadvantaged may be able to attain strategic parity through the process of “benchmarking” by implementing and applying resources found in the present thesis through imitation or substitution (Barney & Arikan, 2001).

Managers can also use the resource-based logic from this thesis in firms where there is potential for a competitive advantage, but where that potential has not been fully realised. In addition, managers can use resource-based insights to ensure that they nurture and maintain resources that are currently enabling their music industry firm to achieve competitive advantages (Barney & Arikan, 2001).

Empirically, the mixed-method approach of Q methodology provided insights not available through other methods typically used in RBV research. It achieved this by systematically identifying a relevant and comprehensive resource set from a single-industry context, clustering firms within the sample based on resource preferences, and by exploring how the resources are understood and applied by managers at the level of the firm. Q methodology allowed resource emphasis to be compared across the different levels of analysis in order to explore the implications of methodological choice and the RBV.

7.4 Limitations
A limitation of this study is that the impact of resources on firm performance was established through a single time period sample, which gives less insight into the nature of how competitive advantage can be persistent over time. It is possible that different key resource findings might have been elucidated had this study been conducted longitudinally.
Another limitation is the subjectivity of the firm performance measure used in this thesis. Additional measures of performance, particularly those that are objective, may have revealed outcomes other than what were described in this study. However, since the sample was comprised of many private firms, access to objective financial data can be difficult (Durand & Vargas, 2003). As discussed in chapter 5 of this thesis, another issue concerning performance is that the financial performance criteria used to assess firm performance may not have been relevant to some firms. Multiple measures of performance may have been useful in this circumstance.

Furthermore, it is important to clarify the dependent variable used in this research. Like much of the RBV research before it, this thesis explored the relationship between resources and short-term firm performance by its use of an overall performance measure. However, while a firm performance score can help to situate firms performance-wise within an industry, it does not necessarily suggest a firm has attained a competitive advantage. While the term competitive advantage has been “definitionally ambiguous” in past literature, a firm is said to attain this through its reliance on rare and valuable resources and by engaging in activities that increase its “efficiency or effectiveness in ways that competing firms cannot” (Barney, 1991, p. 107). It can also be the case that certain business processes may attain a competitive advantage while others do not – and these outcomes may or may not be reflected in a firms’ overall performance as rents earned may be appropriated by various stakeholders or through the cost of acquiring or developing the resource (Barney, 2001a). The section of this thesis regarding future research addresses this conundrum.
A further limitation is that the data from this thesis were largely based on subjective reports and limited to the data of those interviewed. Thus, the subjective nature of the method suggests that managers may have incorrectly identified their firms’ key resources. However, this issue remains a prescriptive limitation to the RBV, since firm managers cannot know, with certainty, which of their resources may attain a competitive advantage (Barney & Arikan, 2001).

Finally, the single-industry sample, the relatively small sample size and the limited range of music industry firms used in this sample suggest limits to the generalisability of the research findings. However, the findings presented here are not intended to generalise to all firm or industry types. Instead, outcomes from this thesis provide a starting point in understanding the strategic resources and processes in music industry firms from a resource-based perspective.

7.5 Prospects for Future Research

One objective of this thesis was to identify the firm-specific strategic and complementary assets from the whole of sample. However, outcomes were affected by the markedly different cluster types that later emerged from the sample, resulting in an over-representation of certain cluster groups in the performance categories. Thus, it is possible that some resources identified as strategic and complementary assets may not be as useful or relevant to firms from all cluster groups. Future research may benefit from utilising larger samples of cluster groups, determining performance differences, then seeking out strategic and complementary assets at the
level of the firm – within each cluster. The small size of each cluster sample in the present thesis precluded such an examination.

In addition, further research is necessary to determine the extent to which the strategic and complementary assets found in this thesis exists in other organisations, and if the use of these resources can indeed provide a competitive advantage in firms. The dynamic capabilities tradition (e.g., Eisenhardt & Martin, 2000; Teece et al., 1997) of resource-based work would be an ideal perspective within which to extend this research, because it will enable the strategic assets found in this thesis to be tested in ways that move beyond the scope of this study.

For example, many theories of competitive advantage have been criticised for their potential to be tautological (Barney, 2001a; Black & Boal, 1994) and the RBV has not escaped this criticism. Priem and Butler (2001), for example, discussed the tautology inherent “in valuable resources conferring competitive advantages because, by definition, competitive advantages are valuable” (Levitas & Ndofor, 2006, p. 141). In the same journal issue, Barney (2001a, p. 42) countered that many theories can be reasoned to be tautological but the issue is “whether the propositions derived from a tautology can be parameterised in a way that makes empirical testing possible”. Barney and Mackey (2005) suggest that to best test the implications of resource-based theory, resources can be linked with the specific processes or strategies that bring value to the resources.

Thus, future research using the dynamic capabilities tradition can establish links between the strategic processes found in this thesis (conferring value) and firm
performance, over time. Furthermore, the strategic processes identified in this thesis can be linked with the categorical commonalities of dynamic capabilities (i.e., adaptive, absorptive, and innovative capabilities) recently identified across the dynamic capabilities literature by Wang and Ahmed (2007). Such examinations would eventually permit a cross-comparison of research findings from various industries.

Levitas and Ndofor (2006, p. 140) argue that a focus on dynamic capabilities may obliterate the applicability of the VRIO framework, since “the emphasis of the strategist shifts from trying to protect sources of current competitive advantages to continuously creating resources and/or capabilities to yield future competitive advantages”. However, future research may consider applying the VRIO criteria to resource bundles, rather than individual resources. Peteraf and Bergen (2003) argue that if different combinations of resources can be exploited towards the same end, it can be argued that the rareness or other attributes of the resources are best understood collectively—as a function of the resource “bundle” and not by itself.

Further research using a dynamic capabilities perspective may also consider adopting the effectiveness of certain strategic processes found in this thesis as the dependent variable, instead of overall firm performance. Ray et al. (2004) suggest that although firm performance is of central interest to scholars and managers, it might not always be the best way to test resource-based theory. The authors suggest that firms may be more successful in some business activities than in others, so examining the link between resources that underlie certain firm processes and firm performance can produce findings that are misleading. Furthermore, research
concerned with understanding the successful processes and routines of an organisation can be more helpful to managers than studies investigating the link between resources and overall firm performance at a higher level of aggregation.

A final suggestion for future research using the resource-based view is to apply the “fine-grained” analytic qualities of the theory alongside industry-level analytic tools (Peteraf & Barney, 2003; Foss, 1998). The RBV was never intended to be a substitute for 5-forces analysis (Porter, 1980) or other theories examining the macro environment. However, the RBV can be an important complement to these tools for identifying and understanding important sources of advantage.

In closing, Balogun et al., (2003, p. 198) suggest that strategic management research has been “concerned with macro levels of analysis that do not provide the detail needed to understand strategising practices”. Through the collective use of the RBV, a multiple-level analysis, and a creative industries context, this research aimed to help fill this void and provide a platform on which further research can build.
REFERENCES


Dear (Potential Informant),
I am a Ph.D. student in Management at QUT in Brisbane, QLD. I am doing a ‘far-
out’ research project incorporating Strategic Management and the Music Industry
and was wondering if I might be able to speak with you or an executive in your
company for about 30 minutes - when convenient for you.

My brief, confidential discussion with industry executives will focus on which
resources or firm assets (e.g., creative talent, technology, etc.) they consider to be the
most important contributors to their firms' profitability.

I understand this is an awkward time of year to be doing this kind of research but I
am prepared to be totally flexible in relation to where and when I meet up with my
respondents. I will be flying from Brisbane to Melbourne and Sydney in the near
future to gather data for this project. I have a more 'formal' information package
available for any interested persons.

I am very excited about this research - and what makes it even better is that I'm
doing it in the most incredible industry; the music industry. I am grateful for any
assistance you could offer with this project. If I can answer any questions, please do
not hesitate to contact me. I look forward to hearing from you.

Kind regards,

Suzy

Suzy Robinson
Ph.d. Student
Queensland University of Technology
Faculty of Businesses
School of Management
+61 738649413
+61 427588855
APPENDIX B
Demographic Questionnaire
MUSIC INDUSTRY DEMOGRAPHIC SURVEY

Q 1. Name of firm: ________________________________

Q 2. Age of firm: __________

Q 3. Your name and title/position in organization: _______________________________

Q 4. Postcode(s) from which your music business operates: ______________________

Q 5. Which are your main music business activities that your firm engages in? Please indicate if each activity is a primary or secondary activity, is outsourced, or whether it’s an activity your firm does not engage in.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Primary</th>
<th>Secondary</th>
<th>Outsourced</th>
<th>None</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 A &amp; R</td>
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<tr>
<td>02 Artist management &amp; representation (self- management)</td>
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</tr>
<tr>
<td>03 Artist management &amp; representation (excluding self)</td>
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<tr>
<td>04 CD mastering</td>
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<tr>
<td>05 Event/festival marketing &amp; promotions</td>
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<tr>
<td>06 Exporting of music</td>
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<tr>
<td>07 Importing of music</td>
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<tr>
<td>08 Internet sales</td>
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<tr>
<td>09 Manufacturing vinyl</td>
<td></td>
<td></td>
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<tr>
<td>10 Music recording</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>11 Music performance (Artists or Bands)</td>
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<tr>
<td>12 Music performance (DJs live or recorded)</td>
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<tr>
<td>13 Music producing</td>
<td></td>
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<tr>
<td>14 Music publishing or licensing</td>
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<tr>
<td>15 Publicity</td>
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<tr>
<td>16 Advertising/marketing/promotions of records/artists</td>
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<tr>
<td>17 Record distribution</td>
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<tr>
<td>18 Retailing/E-tailing</td>
<td></td>
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<tr>
<td>19 Web and multimedia services</td>
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<tr>
<td>20 Wholesaling</td>
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<tr>
<td>21 Legal</td>
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<tr>
<td>22 Accounting</td>
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<td></td>
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</tr>
<tr>
<td>23 Releasing music</td>
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<tr>
<td>24 Sound recording/engineering services</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>25 Sales</td>
<td></td>
<td></td>
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</tbody>
</table>
Q 6. Which best describes your business?

01 Sole trader
02 Partnership
03 Publicly owned incorporated company (i.e., listed on stock exchange)
04 Privately owned incorporated company (i.e., not listed on stock exchange)
05 Other: _____________________________________

Q 7. How many full-time staff (including owners) does your firm employ? ___________

Q 8. How many part-time staff does your firm employ? ___________________________

Q 9. Has your firm won any industry awards?

Please outline details:___________________________________________________________

About you:

Q 10. Years experience in the music industry:______________________________

Q 11. Are you an artist in your own right?____________________________________

Q 12. Level of formal education?
________________________________________________________

Q 13. How many hours per week are you involved in your firm? _________________

Q 14. If you’re employed elsewhere in addition to this firm, how many hours do you work there? _______________________

Q 15. Can you please indicate on a five-point scale the degree of importance your firm attaches to each of the following financial performance criteria:

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Level</td>
<td></td>
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<tr>
<td>Sales Growth Rate</td>
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<tr>
<td>Cash Flow</td>
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<tr>
<td>Return on Shareholder Equity</td>
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<tr>
<td>Gross Profit Margin</td>
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<tr>
<td>Net Profit from Operations</td>
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</tbody>
</table>
Q. 16. Can you please indicate on a five-point scale *the extent to which* your firm’s top managers are currently satisfied with your firm’s performance on each of these same financial performance criteria:

<table>
<thead>
<tr>
<th>Financial Performance Criteria</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit to Sales Ratio</td>
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<tr>
<td>Return on Investment</td>
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<tr>
<td>Ability to Fund Business Growth from Profits</td>
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</tbody>
</table>

Q 17. Has your firm’s gross income increased or decreased over the past three years?

<table>
<thead>
<tr>
<th>Increase/Decrease</th>
<th>01</th>
<th>02</th>
<th>03</th>
<th>04</th>
<th>05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substantially increased</td>
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<tr>
<td>Somewhat increased</td>
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<tr>
<td>Stayed the same</td>
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<tr>
<td>Somewhat decreased</td>
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<tr>
<td>Substantially decreased</td>
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</tbody>
</table>

Q 18. Over the past three years, has the number of employees in your firm (full-time, part-time, or freelance) increased or decreased?

<table>
<thead>
<tr>
<th>Increase/Decrease</th>
<th>01</th>
<th>02</th>
<th>03</th>
<th>04</th>
<th>05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substantially increased</td>
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<td></td>
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<tr>
<td>Somewhat increased</td>
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<tr>
<td>Stayed the same</td>
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<tr>
<td>Somewhat decreased</td>
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<tr>
<td>Substantially decreased</td>
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</tbody>
</table>

Q 19. Over the past three years, has the number of business phone calls/e-mails or other expressions of interest your firm receives increased or decreased?

<table>
<thead>
<tr>
<th>Increase/Decrease</th>
<th>01</th>
<th>02</th>
<th>03</th>
<th>04</th>
<th>05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substantially increased</td>
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<td></td>
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<tr>
<td>Somewhat increased</td>
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<tr>
<td>Stayed the same</td>
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<tr>
<td>Somewhat decreased</td>
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<tr>
<td>Substantially decreased</td>
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</tbody>
</table>
Q 20. What was your organisation’s (only music firm’s) approximate gross annual income for the year ending 30 June 2003 -

<table>
<thead>
<tr>
<th>01 million</th>
<th>Under $5000</th>
<th>07</th>
<th>$250001 – 500000</th>
<th>13</th>
<th>15 million - 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>02</td>
<td>$5001 – 10000</td>
<td>08</td>
<td>$500001 – 1 million</td>
<td>14</td>
<td>20 million -30 million</td>
</tr>
<tr>
<td>03</td>
<td>$10001 – 25000</td>
<td>09</td>
<td>1 million - 2.5 million</td>
<td>15</td>
<td>30 million and above</td>
</tr>
<tr>
<td>04</td>
<td>$25001 – 50000</td>
<td>10</td>
<td>2.5 million – 5 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>05</td>
<td>$50001 – 100000</td>
<td>11</td>
<td>5 million – 10 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>06</td>
<td>$100001 – 250000</td>
<td>12</td>
<td>10 million - 15 million</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thank you!