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## PORTFOLIOS WITH GAPING HOLES: DO THEY LEAD TO INNOVATION IN THE MUSIC BUSINESS? (SUMMARY)

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## ≈ SUMMARY ≈

**PORTFOLIOS WITH GAPING HOLES: DO THEY LEAD TO INNOVATION IN THE MUSIC BUSINESS?**

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**Principal Topic**

From a network perspective, which artist portfolios in the music business lead to innovation? This research builds on a forthcoming publication looking at relationships between social structure, structural holes and innovation in the popular music industry. In the initial study, the authors analyzed the creative influences of all major artists in the popular music industry between 1950 and 2008 and found that artists occupying structural holes relative to their creative influences were more likely to win Grammy Awards, a widely accepted measure of industry innovation (Tschmuck, 2006; Vaccaro and Cohn, 2004; Scott, 1999). Specifically, John Lennon once remarked about The Beatles, “At least the first forty songs we wrote were Buddy Holly influenced.” Artists commonly cite and give credit to their creative influences--forefathers or foremothers in the creation of innovative music--which makes the popular music industry a unique context to study innovation and entrepreneurial behavior. In our analysis of all the major artists in the industry and their structural positions within 14,000+ “influenced by” ties comprising the complete influences network, we found those artists who create music inspired by otherwise structurally disconnected influences were more likely to win Grammy Awards.

Examining recording companies such as *Columbia*, *EMI* and *Sony* and their constantly changing stalls of artists, this study aims to examine the impact of artists’ structural holes on firm-level entrepreneurial behavior. By virtue of the artists they sign, recording companies may potentially exploit artists’ structural holes as entrepreneurial resources to improve their position or innovativeness in the industry. A major question is: are artists’ structural holes personal or can they be rolled-up as a portfolio such that recording companies may benefit from “gaping holes” in their portfolios? Building on prior research, we analyze two dependent variables: first, the numbers of Grammy awards won by a recording company’s artists, and second, the count of new markets pioneered by a recording company’s artists.

**Method**

The data come from allmusic.com, a leading industry information provider whose database is the platform for both America Online’s and Yahoo Music’s e-commerce website. Collectively, the data allow for a seamless and complete network picture of all major artists in the industry and their artistic influences with a top layer of information about each artists shifting affiliation with different recording companies.

**Results and Implications**

This research sheds light on processes of innovation and new market creation in Creative Industries. Moreover, it extends a novel application of structural hole theory to research on firm-level entrepreneurship.

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