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ORIGINAL ARTICLE

Selection models in the music industry: How a prior independent experience may affect chart success

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Abstract This article analyses the two main approaches for artists' selection in the recording industry: the *direct* model in which large major companies directly choose new artists from the supply market, and the *agency* model in which small independent labels realise the first choice and, subsequently, large organisations pick their new artists among those pre-selected by independents.

An empirical analysis of chart sales reveals that artists selected through the agency model exhibit a longer presence on the chart due to repeated successes, while they are slower to reach heavy success once they have entered the chart. Conversely, the direct model leads to artists with a faster path to a strong success, but the same artists have a shorter presence on the chart due to the sporadic nature of their success. The profile of artists selected through these two models is also found to be different: big international soloist stars are more frequently selected through the direct model, while national bands are more frequently selected through the agency model.

The insights suggest important implications for management in the cultural industries and especially in the recording industry.

Keywords Artist selection · Cultural industries · Music market

Jel Codes: L82; O32

1 Artist selection in the cultural industries

Organisations in the cultural industries mediate flows of cultural goods between producers and consumers. They basically act as "gatekeepers" through a *selection process* of artists and a promotion activity of creative offerings (Throsby, 1994; Caves, 2000). The selection process of artists is a strategic choice, as it reveals the composition of the portfolio of creative

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offerings addressed to customers. The long-term survival of firms in the cultural industries depends heavily on these selection capabilities, since artistic creativity is a resource that firms can neither control nor create; they can only select and drive it to the market (Wijnberg, 1995; Lampel et al., 2000).

In this article I will analyse the selection process in a specific sector of cultural products, the recording industry. I have chosen the recording industry for several reasons: organisations in the music industry often have formal departments (called A&R, Artists and Repertoire) devoted to support selection processes; the music market is one of the few cultural environments in which considerable market data can support empirical analysis; and, most important, in the music industry different selection procedures seem to be at work in the market, giving different outcomes in terms of market success.

A simple snapshot of the recording market reveals how the scene is dominated by four big firms called *Majors* (Sony/BMG, Warner, Universal, EMI), which belong to conglomerates in the fields of technology and entertainment. They control from 85% to 90% of the national markets in the developed countries (IFPI, 2004), and they are responsible for almost every chart success, namely artists who reach the top of the sales charts. Beyond these majors, many small labels called *Independents*, often focused on niche markets of limited interest to majors, cover the rest of the market. Their 15% market share does not encompass superstars or artists with a very high level of success, but only sales of little known performers (Burnett, 1986). Once these artists reach a small but significant level of awareness, they may be acquired by majors and launched on the mass market (Lopes, 1992).

Hence, successful artists can be the outcome of two different selection procedures:

– Some of them are directly engaged by Majors, without having had any prior independent experience;
– Some others are initially selected by Independent small labels and then shifted to Majors.

The central hypothesis of this article is that the way a successful artist is selected is associated with a different type of market success and to different features of his (or her) offering. This success is not in the trivial sense of artists signing for Majors obtaining more success than artists under contract for an Independent label, but in the sense that the use of a particular selection approach is related to different *profiles* of successful artists.

The aim of the paper is to test several hypotheses regarding the relationships between these two selection models and market success of the selected artists, and then to explore if the selection procedure is associated with some peculiar features of the artists.

The paper is organised as follows. Section 2 provides a short description of the music industry, while Section 3 contains the theoretical background and the discussion leading to the hypotheses. Section 4 illustrates the methodology of the analysis, and sections 5 and 6 contain outcomes and discussion, respectively. Managerial implications are offered in the final section.

2 A snapshot of the selection process in the music industry

For recorded music, the market share of each label is largely determined by "product differentiation innovation," i.e., the ability to launch new releases of unknown and established artists, which requires a careful selection strategy (Burke, 1996). Market mechanisms in the recording market reveal that only one out of ten albums released is profitable (i.e., reaches the break-even point) with a lower success share if artists are new ones. A few releases reach a disproportionate success and are therefore able to recover the failure of most releases. The

presence of this well-known "superstar" phenomenon (Rosen, 1981; Adler, 1985; Hamlen, 1991) suggests that Majors try to exploit economies of scale by concentrating on few "star" performers who could cater to larger audiences at a lower cost (Leadbeater, 1999).

This model of disproportionate competition only works when artists are under contract for a Major (Kretschmer et al., 1999) but, as introduced above, these successful artists may be the outcome of two different selection approaches.

Some of them are directly engaged by major companies, without having any prior independent experience; this approach, which I call the *direct* model, should support rapid mass-market innovations, in which new artists have to guarantee rapid success, given the huge amount of financial resources invested in their promotion.

Some other artists are initially selected by Independent labels and then they have shifted to Majors. In this second case, which I name the *agency* approach, small firms act as "first innovators," in the words of von Hippel (1988), developing an innovation that is commercialized later without bringing such innovation to the market immediately.

While the first attitude is similar to the traditional Schumpeterian model of monopolistic innovation driven by financial resource availability, the second approach finds its roots in "resource complementary," when innovation originates from small organisations with creative capabilities and is later exploited by other large organisations.

Why do these two selection models co-exist in the music market? And might they lead to different market performance?

The central tenet of this article is that the two mechanisms allow for selecting artists with different features (for instance, niche vs. mass audience) which, in turn, may have different profiles of market success (for instance, in terms of intensity, rapidity or frequency of success). These models can provide different solutions to two central management concerns in the music industry: high transaction costs in the creative supply market (Kretschmer et al., 1999) and social contagion in the demand market, at the heart of the superstar model (Adler, 1985; Crain and Tollison, 2002).

The performance of these two selection approaches in the music market will be analysed in the remainder of this paper, together with an exploratory investigation of the key features of artists selected under these two models.

3 The hypotheses: Do different selection approaches mean different kinds of success?

Since the success of an artist is traditionally evaluated on the basis of the performance of his chart sales, the following analysis will look at the effects of selection processes on different features of market success. The starting point is that artists with prior independent experience are supposed to exhibit a longer period of personal success; in other words, the agency model should guarantee the scouting of artists with a long-lasting, useful "lifecycle" – artists able to remain at the height of popularity for a prolonged time. Small independent labels would be more proficient than majors in discovering artists potentially able to survive short-term fashions and trends, leveraging some specific selection capabilities (Kretschmer et al., 1999). Indies would be better than majors in facing the information opacity of the supply market and the uncertain quality of the offering, since they have closer relationships with artists and a deeper knowledge of the creative market. Motivations for this superiority are different.

First of all, independent labels may count on an extensive knowledge of local repertoires and constantly cultivate the exploitation of niche markets. This suggests that artists with prior experience in an independent label are probably expressions of a well-grounded cultural

background and they may count on an established community of fans, even if it is generally small (Strobl and Tucker, 2000). Since major companies do not face niche markets as their goal is to reach the larger undifferentiated audience, their scouting departments have developed selection capabilities committed to anticipate fashion and trends rather than to discriminate on the basis of content or musical background.

Another possible explanation for the lower scouting capabilities of large firms is that such organisations are usually managed by decision makers without an artistic background (Castañer and Campos, 2002). Conversely, individuals, who, for a certain period, have been musicians, singers, producers or talent scouts, manage many Independent labels.

In this view, it is possible that an artist can remain on the chart for a long period of time for two distinct reasons:

– He could have experienced repeated success (high frequency of success).
– He could have been able to stay in the chart for many weeks realising few but strong "hits" (high intensity of success),

While the previous arguments can be meaningfully applied to the *frequency* of success, namely the number of times the artist enters the chart with different releases, it is important to note that the *intensity* of success of each release should be largely independent of the selection model adopted.

In this case, the fate of a single album would be strictly related to promotion and advertising efforts made by the label. Since my analysis covers only the most successful artists and while it is likely that the agency model supports a superior frequency of presence in the chart, thus leading to a longer duration, I expect that, on the average, such promotional efforts may be similar across the selection models and thus similarly affect the duration on the chart of each release.

H_{1a}: artists selected through an agency model (i.e., with prior independent experience) enter the charts more frequently than artists selected through a direct model.
H_{1b}: artists selected through an agency model and artists selected through a direct model do not differ in terms of average intensity of chart success

It is also interesting to extend the analysis to the top positions of the ranking. This is important because the hypotheses on frequency and intensity of success could work differentially when shifted from a mere chart presence to a presence in the top ranks.

The analysis incorporates an important feature pointed out by Strobl and Tucker (2000): employing a weighting scheme to control for relative position in the chart, separating chart presence from chart success (first positions). The following hypotheses test the assumption that artists with prior independent experience enjoy a higher frequency and, consequently, a longer presence of their releases on the chart, even when only the top-four positions of the ranking are considered.

H_{2a}: artists selected through an agency model (i.e., with prior independent experience) enter the top-four positions of the charts more frequently than artists selected through a direct model.
H_{2b}: artists selected through an agency model and artists selected through a direct model do not differ in terms of average intensity of presence in the top-four position of the charts.

Another dimension of the analysis considers the *speed* of success in order to highlight the dynamic path driving artists to the top of success. Evidence suggests that some artists may be able to immediately reach the top of the ranking with their first releases, while others,

once an album entered the chart, would require several albums to climb to the top positions of the ranking. Is the choice of selection model related to such phenomena?

While the previous mentioned differences were sustained by the different capacity of the two models to address the quest for transaction costs in the supply market, there is another important area that the selection procedure may impact: the management of social contagion in the demand market. The sociological literature on fashion (Simmel, 1957) indicates that in creative markets consumption is basically a way to share social experiences, and that people prefer to do what other people do; hence, the capability to mobilise and rapidly influence large shares of customers represents a key resource in achieving market success. This mechanism is also at the basis of the well-known superstar model, which tries to explain the emergence and the persistence of big stars.

Following such arguments, since artists coming from an Indy experience are likely to be niche artists (specific musical genre, innovative content, etc.), the social contagion process leading to the superstar phenomenon is harder to develop in this case, and it is presumably slower than that can be triggered for a mass market offering, which is less likely to be found in a roster of an Indy.

Artists with prior independent experience usually embody a more complex cultural message in their offerings, a message whose diffusion at a large scale requires a long term effort. Since promotion and advertising may have some effects only over a short term impacting single releases, carrying a niche artist to mass diffusion may encounter some obstacles. Essentially this process takes more time, and probably more releases are necessary for an artist selected through the agency model to reach the highest success.

The point here is that a direct model of selection creates a cluster of artists whose heavy success is relatively faster than the successes of artists with a prior Independent experience: A&R departments of Major companies, in this sense, have the function of rebalancing long-term expected returns by Independent artists with rapid but not necessarily repeated successes by big international artists.

An additional possible explanation of the longer path to success for artists with prior independent experience may come from their past closer working relationship with the managers at Indies (Burke, 1997). Thus, independent labels are often specialised in a single musical genre, while majors use a massive differentiation strategy with a despecialised offering: major labels with a larger roster are unable to dedicate as much time to single artists, whose capabilities cannot be immediately perceived or exploited by the market.

In the end, through the direct model artists are selected following "contingent" criteria (fashion and trend), and these criteria could result in a more immediate drive to the market.

H_3: artists selected through an agency model (i.e., with prior independent experience), once entered in the chart, require more releases (more time) to reach the four top positions.

To sum up, the selection model in the recording industry is expected to have a multifaceted impact on the chart performance of artists and to be related to individual features of these artists.

Through the agency model, majors are more likely to select artists who will show up more frequently on the chart (H_{1a}) and more frequently in the top four positions (H_{2a}), but these artists will be slower to reach heavy success once they enter the chart (H_3). Conversely, using a direct model, selected artists would exhibit different features: a faster path to heavy success, but a shorter presence on the chart due to spot successes. With respect to the average intensity of success of each release, the selection procedure should have no effect (H_{1b} and H_{2b}).

All this happens because the agency model would be expected to be better at solving the high transaction costs of the supply market, while the direct model would be more efficient for activating the social contagion process of market demand.

4 The methodology

4.1 The database

To test these hypotheses a database of information has been extracted from the most important information source in the recording industry, chart sales data. Despite the importance of popular music chart listings as indicators of success, talent, and market sales, there has been remarkably little use of such data sources in order to gain insight into the market (Anand and Peterson, 2000). Exceptions include: Burke (1996) who examined the dynamics of product differentiation in the British record industry using chart listings from the BPI; Chung and Cox (1994) who described the probability distribution of gold record awards in the US; and Hamlen (1991) who studied if small differences in artists produced large differences in success. In other articles chart sales data have been used to analyse the recording industry, but they have been mainly interested in dealing with trends in the level of concentration or differentiation in the market (Peterson and Berger, 1975; Belinfante and Johnson, 1982; Rothenbuhler and Dimmick, 1982; Lopes, 1992; Alexander, 1997; Black and Greer, 1987).

Although chart performance is the most important indicator of success, it has never been linked to artist selection strategies in the recording industries; to my knowledge, no research has tried to analyse the relationship between chart success and the selection procedures. A likely motivation is that a great success has always been considered a matter of promotion and advertising strategies, rather than of selection activities. In addition, conventional wisdom sees R&D in the creative industries as not necessarily being addressed to market success, but only to creativity and artistic content.

To assess potential differences between those artists selected through a direct model and those selected through an agency model, I focus my attention on the chart performances of the 200 artists (domestic and foreign) with the highest presence on the Italian charts during the twenty-seven years from 1970 to 1996. This time span is consistent with other time-series analyses developed on the recording industry (Peterson and Berger, 1975; Rothenbuhler and Dimmick, 1982; Lopes, 1992; Burke, 1996; Crain and Tollison, 1997, 2002).

The fact that the analysis is focused only on the most successful artists is due to the consideration that the absolute level of success of an artist does not only depend on selection choices, but that it is also heavily dependent on advertising and promotion strategies. The choice to analyse only the most successful artists avoids the problems of having to deal with spurious correlation, thus controlling for the potential asymmetric effects of promotion strategies.

Data on chart performances for the 200 top artists in the Italian market have been collected from a dataset of published and unpublished data of weekly market performances provided by the review *Musica & Dischi* (Spinetoli, 1997). The top 50 albums chart has been adopted for this analysis, since the period reflects the time in which the album was the key device for listening to music.

Information about the "status" of the artists, namely the fact that artists have (or have not) had a prior experience on an independent label, was not available in the previous dataset; this information has been collected through several other information sources (official discographies, artist's websites, music magazines, and industry repertoires). Obtaining

such information for the whole set of 200 top performers has been difficult, and I have been forced to limit the database to a subset of 171 artists for whom information about their past history was available and sufficiently reliable.[1]

As stated, the population of 171 artists can be divided in two groups: 114 of them (66%) always signed for a major company and therefore were selected through a direct model, while the remaining 57 artists (34%) had had prior experience with an Independent label, thus they were selected through an agency model.

To avoid potential time-based distortions, I also checked to be sure that the breakdown of artists according to the selection models did not vary significantly between sub-periods (1970–1979; 1980–1989; 1990–1996); no statistical differences were found.

4.2 The indicators

To test the hypotheses, I started by calculating the *duration* of success, the total number of weeks of presence on the chart by each artist (DURc). This indicator represents a raw indication of "longevity" of an artist. Obviously, this indicator is influenced by the number of hit releases and by the average duration of success of each release, which are at the basis of our H_{1a} and H_{1b}.

More precisely, the *frequency* of success has been measured through the number of albums by each artist that show up on the chart during the period of the analysis (FREc). This indicator reveals the capability to repeat success with different releases.

Then, the average number of weeks per album is employed to assess the average *intensity* of the success (INTc); this indicator highlights the "power" of success independent of the number of albums entered in the chart.[2]

Given the presence of the superstar phenomenon in the music industry, I added to these measures of presence in the chart a second set of analyses that limit themselves to presence in the first four positions of the ranking, namely the *top of the chart*. This is done in order to evaluate if artists with prior Independent experience and Major-only artists are different regarding mere presence in the chart or with respect to top hits success. The indicators "FREt" and "INTt" are employed to test H_{2a} and H_{2b}.

I then analysed the life cycle of artists who reached the top of the chart, calculating an (inverse) indicator of the *speed* of success, namely the number of albums in the artist's career necessary to reach the first four positions in the chart minus the number of albums required to enter the charts (SPEc). The analysis of the speed of success refers to H_3. This measure is particularly important, as it may exhibit different temporal lags in success for artists with or without prior Independent experience, thus suggesting further implications for management in record companies.[3]

The following table synthesises the list of indicators used to evaluate potential differences in chart performance between artists with prior independent experience and artists signed only for a major.

[1] In order to have a clear separation between the two groups, artists with an 'Indy' experience at the beginning of their soloist career and later with a major-only career in a band (the most compelling example in this sense is represented by ex-members of the Beatles), were also removed from our dataset. It is worth noting that the changes in the outcomes are negligible.

[2] Obviously, the combination of frequency and intensity provides the value of the duration of success (DURc).

[3] This indicator is preferred to the simple consideration of the number of albums required to enter the chart, or the same number to reach top positions, since these latter parameters, by definition, are always higher for artists with prior Independent experience.

Table 1 The different measures of chart success for artists and the hypotheses

Measures	HP	Indicators
Duration on the chart (DURc)	–	Total no. of weeks of presence on the chart
Frequency on the chart (FREc)	H_{1a}	Total no. of albums entering the chart
Intensity on the chart (INTc)	H_{1b}	Average no. of weeks of presence per album on the chart
Duration at the top-four (DURt)	–	Total no. of weeks of presence in the top 4 positions on the chart
Frequency at the top-four (FREt)	H_{2a}	Total no. of albums entered into the top 4
Intensity at the top-four (INTt)	H_{2b}	Average no. of weeks of presence per album entering the top 4
Speed in reaching the chart (SPEc)	H_3	No. of albums required to enter the chart – no. of albums required to reach the top 4 positions

In addition, I have also investigated if different "types" of artists lie behind such selection models. In particular, two dimensions were investigated: the soloist/band and the domestic/international dimensions.

The full list of 171 artists selected for analysis, together with their value for each indicator, is summarized in Table A in the appendix.

5 The outcomes

Table 2 highlights the comparisons of means developed to test each hypothesis; the details of the analysis of variance (F tests) are in the Appendix.

Starting with *duration* on the chart, the raw indication of chart success, the share of major-only artists shows an average presence of 108 weeks on the charts, while for artists with prior independent experience duration reaches a level of 167 weeks on average. The difference between these means, significant at the 1% level of significance, provides a first indication that among most successful artists those who began in an independent environment are able to survive for a longer time than those who began their career directly with a major company.

Table 2 Chart success: Comparison of means – direct v. agency model

		DURc**	H_{1a} FREc**	H_{1b} INTc	DURt^{x}	H_{2a} FREt^{x}	H_{2b} INTt	H_3 SPEc*
Direct selection model (Only majors)	Mean	108.1	6.8	3.4	7.0	1.6	1.1	1.7
	N	114	114	114	114	114	114	114
	Std. Dev.	87.2	5.6	2.7	10.4	1.1	1.2	2.0
Agency selection model (Prior experience)	Mean	167.4	9.9	3.8	11.8	2.1	1.1	2.7
	N	57	57	57	57	57	57	57
	Std. Dev.	159.9	8.1	2.7	22.9	2.3	1.2	3.5
Total	Mean	127.9	7.8	3.5	8.6	1.7	1.1	2.0
	N	171	171	171	171	171	171	171
	Std. Dev.	119.4	6.7	2.7	15.8	1.7	1.2	2.7

*Statistically significant at 5%
**Statistically significant at 1%
^{x}Statistically significant at 10%

Shifting to our hypotheses, the frequency of chart success (H_{1a}) is different across selection models: artists always signed for a Major label showed up on the chart with an average of 6.8 albums while artists selected through the agency model have had access to the chart more times, with an average of 9.9 albums. Conversely, as expected, the comparison of means between the *intensity* of chart success shows no difference (H_{1b}): each release of artists signed only for a Major remained in the chart for 3.4 weeks on average, a period quite similar to the period of artists selected through an agency model (3.8). The evidence supports both hypotheses, indicating that a longer duration of success by these artists may be explained by their repeated successes rather than by the average intensity of each success.

The comparison of duration, frequency and intensity for the top four positions in the chart partially confirms the previous results. On average, artists with prior independent experience reached the height of the ranking 2.1 times, with an average presence of one week, while artists signed only for a Major company reached the top four positions of the chart 1.6 times, with an average presence of 1.1 week. Regarding H_{2a}, although a difference is shown, the comparison of means exhibits a low level of statistical significance. This suggests that the insight suggesting a longer and more frequent chart presence of artists selected through an agency model would need to be partially relaxed if the analysis pertains to presence in the top four positions in the ranking.

The discussion of H_3 is based on an inverse indicator of *speed* of high success: the number of releases required to reach the top-four positions once an album entered the chart. In this case I found support for the hypothesis with a comparison of means that is statistically significant at the 5% level. Artists selected through an agency model are slower in reaching the top of the chart than their counterparts who are directly engaged by major companies. Artists with prior independent experience require 2.7 releases to make a hit once one of their albums entered the chart, while for the other group of artists labels may "save" almost one release. In this case, artists with prior Independent experience exhibit a high standard deviation in the distribution of the speed indicator: on average, the gap from artists selected through a direct model is only one album, but it may be stronger in some cases.

Figure 1 summarizes the outcomes of the analysis on the charts, providing the typical profiles of success associated with each selection model.

Thus, for a Major company the use of an agency model leads to selecting artists who are capable of multiple successes and a longer presence on the charts, but the effect of this selection model is less evident if we only consider the top positions on the chart. Artists selected through this model are slower in reaching these high levels of success (lower speed). Finally, the selection model has no significant differential effect on the intensity of each release.

Conversely, using a direct model leads to selecting artists with rapid and heavy success, but they are less capable of maintaining and repeating these chart performances with further releases.

6 Discussion

The evidence concerning H_1 and H_2 may find its roots in the organisation field. One possible explanation is that Indies can be seen as environments stimulating the development of a long-term artistic project (Crain and Tollison, 1997). Since the breakeven point of an average album released by an Indy label is pretty much lower than that of a typical album released by a Major, due to the difference in promotion costs, there are fewer pressures for huge and rapid market success and artists can plan their career in a more consistent way. Our evidence

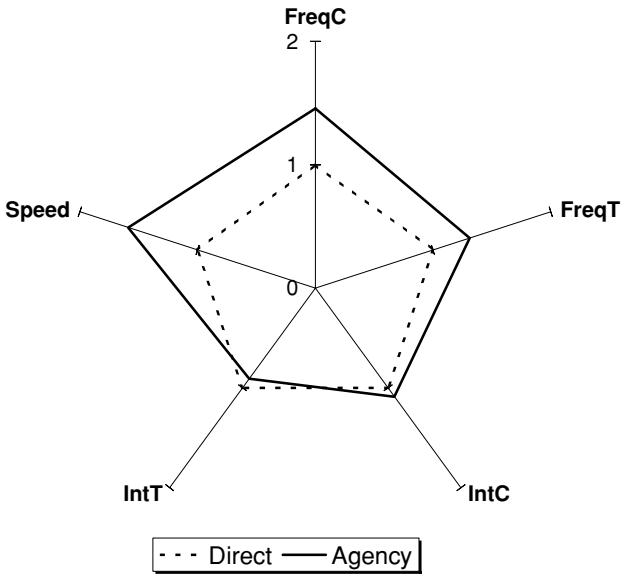

Fig. 1 Main features of success: direct vs. agency model (direct model average measures are set at 1)

confirms that Independent labels seem more able to create incentives for artists to fully cover their artistic process and that such incentives may also matter in terms of chart performance.

Another explanation of the longer and repeated "commercial" life of artists with prior Independent experience may come from the recent insight of Mixon and Ressler (2000); their conclusion is that a typical consumer of older CDs is more likely to be a devoted fan of the artist, rather than a purchaser of new releases. The agency model would contribute to selecting artists with an established cluster of loyal fans, whose demand is in large part inelastic with respect to price (and sometimes to content). Independent labels may also count on the favour of several third-party information providers (critics, specialised journals), who play a central role in addressing and influencing consumers' tastes (Anand and Peterson, 2000). For successful artists, a prior independent experience seems to contribute to building a stronger and durable image, in many cases one that is difficult to share with mass audiences but one that is often able to sustain longer success.

This leads to the insights from H_3. The slower path to success of artists with prior independent experience may largely be explained through the complexity of their artistic message, which needs a stronger investment in promotion to be shared. Another possible explanation arises from the competences and behaviour of managers in the Major companies, which are not aligned to the expectations of artists. In fact, A&R managers in the Majors usually interpret their relationship with their artists in a less involving way, while artists on independent labels are used to benefiting from direct and continuous contact with their managers.

All these considerations suggest examining if artists selected under the two models are different. Given the dataset available, this analysis focuses on nationality (domestic v. international) and on structure (soloists v. bands).

Figure 2 exhibits how the direct model is especially employed to select soloists (70% v. 59% in the agency model) and international artists (64% v. 42%). Conversely, the agency model is relatively more adapted to selecting bands (41% v. 30% in the direct model) and to exploiting the national catalogue (58% v. 36%).

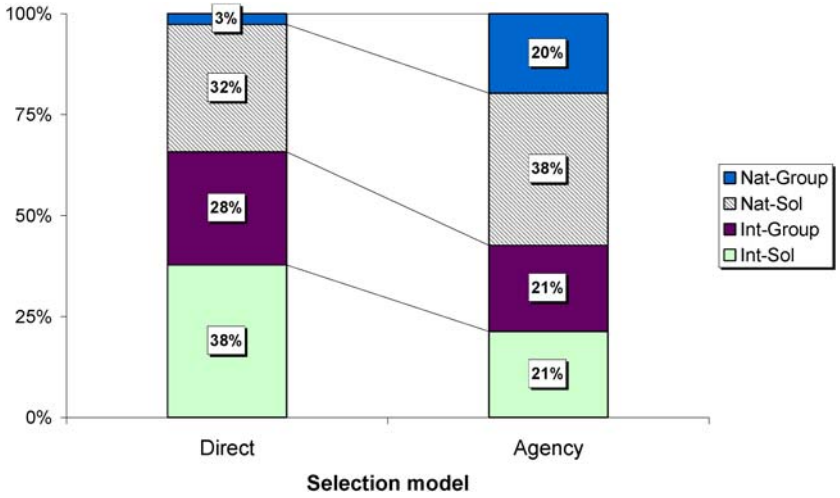

Fig. 2 Breakdown of artists according to national/international and soloist/group dimensions: agency model vs. direct model

This suggests that the two selection strategies lead not only to different performances of artists; they are probably also channels to select different kinds of artists, satisfying two different management purposes: engaging big international artists with strong and immediate market success (direct model) and exploiting the local scene by nurturing domestic artists with a long-lasting career (agency model). In fact, when the analysis was repeated separating Italian from non-Italian artists, while all the hypotheses were confirmed for Italian artists, among non-Italians H_{1a} and H_{1b} were not sustained statistically. This may mean that the 'Indy' effect is more consistent for domestic artists, especially regarding the average frequency and intensity of presence on the charts.[4]

7 Implications and conclusions

The present analysis sheds some new light on management of firms working in the recording industry and, in general, on organisations in the cultural industries. First of all, we noted the important role of artists' selection choices in explaining market success. Despite the conventional wisdom on the a unique role of advertising and promotion investments, this analysis demonstrated that the selection regime under which artists are chosen determines some features of expected success. In particular, among the most successful artists the adopted selection model heavily affects the duration and the frequency of success as well as the speed in reaching it. The preference accorded to one or the other model, namely the selection policy adopted, encapsulates the innovation "philosophy" of the players more than promotion and advertising do, since these last investments largely sustain the success of a single release and not that of a whole artist's career.

The fact that different innovation models may lead to the selection of artists with different "profiles" of success raises a second important implication for managers, who have to build their portfolio of selected artists (i.e., the roster) while balancing shorter but faster successes

[4] I would like to thank an anonymous reviewer for this suggestion.

(coming from direct approaches) with longer but slower performances (those of artists selected through agency models). This was also evident in the main categories of artists selected under the two models: big international soloists for the direct model, and domestic groups for the agency model. These differences suggest the adoption of a mixed innovation strategy, one that is based on a blend of agency and direct models, which can filter out lesser quality individuals (talent selection), increase the performance of selected artists, and lead to better market performance for firms. Moreover, this approach is able to minimize knowledge dependency from outside, thus reinforcing the internal process of competence creation (Fine and Withney, 1996). Since tastes for popular music tend to be fixed during a relatively narrow age span (Lacher and Mizerski, 1994; Holbrook and Schindler, 1989), the combination of agency and direct models may solve the trade-off between younger populations, generally inclined to stars and new releases, and older consumers, more loyal to established artists (Holbrook and Schindler, 1989; Crain and Tollison, 2002). In the cultural industries, consumers need familiarity to understand what they are offered, but they need novelty to enjoy it (Lampel et al., 2000).

Understanding the functioning of selection procedures also allows for improving the short-term and the long-term financial equilibrium of recording companies, keeping in account the fact that revenue flows coming from superstars has a different evolutionary path according to the selection models adopted. These implications may be easily extended to many other cultural sectors, for example the motion picture industry or broadcasting networks, in which a dual industry structure is present and the selection process remains at the centre of the value-chain.

More generally, the evidence suggests paying attention to the so-called indirect forms of innovation, where the originator of innovation is a creative small firm and the exploiter of the innovation is a large organisation. Such solutions are developing in many businesses in which a dual structure is present. In these environments, a division of cognitive and innovative labour occurs, whereby large and small firms cooperate and participate in the innovation process with a specialisation of roles: the latter acting as *originators* of R&D efforts, and the former as innovation *developers*.

Managers must carefully deal with the organisation of this network, since specialisation has implications for the competences and objectives necessary to compete. The R&D people in small firms should be creative, risk-taking and, in the case of the cultural industries, very close to artists. Since they do not possess financial resources to exploit the innovation, their purpose is to develop the innovation in its early stages in order to make it remarkable for large firms. In large organisations, managers are essentially risk-averse; they should emphasise the planning dimension of the innovation, since they have to choose a small set of initiatives to exploit on a large-scale through heavy investments.

In these networks, innovation managers should reconfigure their roles: originators should act as "sensors" of innovation in the supply market, nurturing creativity, and bridging potential innovation to intermediate gatekeepers (the developers), whose management should play a creative coaching activity in order to drive the pre-selected creativity offerings to the mass market.

It must be kept in mind that using "innovations" already selected by small firms, managers delegate the most creative efforts, which are time consuming, concentrating on the market launch phase. Since the agency approach leads to innovations with some specific features, managers cannot base their policy exclusively on this model for two reasons: they have to realise some direct innovation to improve the market performance of innovation activity and they must avoid the risk of losing some creative competences by overstating the use of agency delegation.

Appendix A

Table A The most successful artists in the Italian recording market: 1970–1995: the database for the analysis (number of weeks, except for SPEc: number of albums)

	Prior "Indy" experience	DURc	FREc	INTc	DURt	FREt	INTt	SPEc	Non Italian	Band
883	YES	104	4	26.0	17	3	5.7	0	YES	NO
A. Baldi	NO	28	2	14.0	1	1	1.0	0	YES	NO
A. Branduardi	NO	124	9	13.8	2	1	2.0	2	YES	NO
A. Celentano	YES	398	24	16.6	5	2	2.5	16	YES	NO
A. Fortis	NO	102	6	17.0	1	1	1.0	2	YES	NO
A. Minghi	YES	104	7	14.9	2	1	2.0	3	NO	YES
A. Sorrenti	NO	108	6	18.0	13	2	6.5	3	YES	NO
A. Venditti	YES	400	16	25.0	35	7	5.0	1	YES	NO
Abba	NO	92	6	15.3	2	1	2.0	5	YES	NO
A-Ha	NO	32	3	10.7	1	1	1.0	2	NO	YES
Alan Parsons Project	NO	62	5	12.4	2	1	2.0	0	YES	NO
Alanis Morrisette	NO	35	1	35.0	2	1	2.0	0	NO	YES
America	NO	68	5	13.6	1	1	1.0	1	NO	YES
Annie Lennox	NO	37	2	18.5	5	1	5.0	0	YES	NO
Art Garfunkel	NO	64	4	16.0	2	1	2.0	0	NO	NO
Articolo 31	YES	27	1	27.0	2	1	2.0	0	NO	NO
B. Streisand	NO	50	3	16.7	5	1	5.0	1	YES	NO
B. Springsteen	NO	150	8	18.8	5	2	2.5	2	NO	NO
Barry White	NO	186	8	23.3	19	2	9.5	2	YES	NO
Beatles	NO	131	13	10.1	10	1	10.0	2	YES	NO
Bee Gees	NO	209	12	17.4	29	3	9.7	6	YES	NO
Blues Brothers	NO	14	1	14.0	2	1	2.0	0	NO	NO
Bob Dylan	NO	264	22	12.0	10	2	5.0	2	YES	YES
Bob Marley	YES	74	4	18.5	2	2	1.0	2	NO	YES
Bon Jovi	NO	63	5	12.6	3	1	3.0	3	NO	NO
Bryan Adams	NO	69	4	17.3	9	1	9.0	1	YES	NO
C. Baglioni	NO	371	18	20.6	64	7	9.1	2	NO	YES
Carly Simon	NO	28	2	14.0	1	1	1.0	0	YES	NO
CCR	YES	87	5	17.4	6	1	6.0	2	YES	NO
Celin Dion	NO	37	2	18.5	2	1	2.0	1	NO	YES
Cerrone	YES	78	4	19.5	4	1	4.0	1	NO	NO
Cock Robin	NO	26	2	13.0	1	1	1.0	0	NO	NO
Cranberries	YES	46	2	23.0	2	1	2.0	1	NO	NO
David Bowie	YES	170	16	10.6	3	1	3.0	12	NO	YES
Deep Purple	NO	216	14	15.4	1	1	1.0	4	YES	YES
Delirium	NO	23	1	23.0	4	1	4.0	0	NO	YES
Demis Roussos	NO	71	5	14.2	2	1	2.0	1	NO	YES
Diana Ross	NO	62	6	10.3	1	1	1.0	1	YES	NO
Dire Straits	NO	181	8	22.6	12	3	4.0	1	NO	YES
Donna Summer	YES	218	13	16.8	24	3	8.0	2	NO	NO
Drupi	NO	61	5	12.2	1	1	1.0	1	YES	NO
Duran Duran	NO	133	9	14.8	2	1	2.0	1	NO	NO
E. Bennato	YES	310	17	18.2	19	2	9.5	2	NO	NO

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Table A (*Continued*)

	Prior "Indy" experience	DURc	FREc	INTc	DURt	FREt	INTt	SPEc	Non Italian	Band
E. Ramazzotti	NO	194	8	24.3	40	5	8.0	1	NO	YES
E.L.P.	YES	126	7	18.0	2	1	2.0	1	YES	NO
Eagles	NO	55	4	13.8	1	1	1.0	2	YES	NO
E.L.O.	NO	64	5	12.8	1	1	1.0	2	NO	YES
Elio e le storie tese	YES	28	2	14.0	5	1	5.0	1	YES	NO
Elton John	YES	302	20	15.1	11	3	3.7	2	YES	NO
Europe	YES	42	3	14.0	4	1	4.0	0	NO	NO
F. Baccini	NO	47	4	11.8	1	1	1.0	1	NO	NO
F. Battiato	YES	204	12	17.0	27	3	9.0	1	NO	NO
F. Concato	YES	118	7	16.9	7	1	7.0	1	NO	NO
F. De Andrè	YES	382	16	23.9	12	2	6.0	3	YES	NO
F. Gucci	NO	189	14	13.5	5	2	2.5	3	NO	YES
F. Mannoia	NO	65	6	10.8	1	1	1.0	3	YES	NO
F. Papetti	YES	376	26	14.5	4	2	2.0	9	NO	NO
F. De Gregori	YES	391	20	19.6	17	4	4.3	3	NO	NO
Freddie Mercury	NO	30	2	15.0	3	1	3.0	0	YES	YES
Fugees	NO	24	1	24.0	3	1	3.0	0	YES	YES
G. Cinquetti	NO	41	3	13.7	1	1	1.0	2	YES	NO
G. Ferri	NO	85	5	17.0	8	1	8.0	2	NO	YES
G. Grignani	NO	52	2	26.0	1	1	1.0	0	NO	NO
G. Morandi	NO	137	10	13.7	13	2	6.5	0	YES	YES
G. Nannini	NO	154	11	14.0	6	2	3.0	2	NO	YES
G. Paoli	YES	124	9	13.8	5	1	5.0	6	NO	YES
G. Togni	YES	55	3	18.3	2	1	2.0	1	NO	YES
Genesis	NO	270	16	16.9	2	1	2.0	10	NO	NO
George Michael	NO	64	4	16.0	10	2	5.0	0	NO	YES
Giorgia	NO	31	3	10.3	1	1	1.0	1	NO	YES
Gipsy Kings	NO	71	7	10.1	11	1	11.0	4	YES	NO
Gloria Gaynor	NO	75	5	15.0	1	1	1.0	1	NO	NO
Goblin	YES	63	2	31.5	6	1	6.0	0	YES	YES
Guns n' Roses	YES	57	5	11.4	1	1	1.0	3	NO	NO
I. Fossati	NO	74	8	9.3	1	1	1.0	7	YES	NO
I. Zanicchi	YES	67	5	13.4	2	1	2.0	0	NO	NO
Imagination	YES	52	3	17.3	4	1	4.0	0	NO	NO
James Last	NO	49	3	16.3	3	1	3.0	0	NO	NO
Jethro Tull	YES	98	8	12.3	10	2	5.0	1	YES	NO
Jimi Hendrix	NO	48	6	8.0	1	1	1.0	0	NO	NO
Joe Cocker	YES	111	10	11.1	3	1	3.0	3	NO	YES
John McLaughlin	NO	17	1	17.0	1	1	1.0	0	YES	NO
Jovanotti	YES	137	6	22.8	6	2	3.0	4	YES	NO
Julio Iglesias	NO	200	14	14.3	5	2	2.5	4	NO	YES
L. Barbarossa	NO	40	5	8.0	2	1	2.0	0	YES	YES
L. Battisti	YES	469	23	20.4	135	12	11.3	1	YES	NO
L. Carboni	NO	131	5	26.2	5	3	1.7	0	YES	NO
L. Dalla	YES	422	16	26.4	83	8	10.4	3	NO	NO
L. Pausini	NO	73	3	24.3	5	1	5.0	1	YES	NO
Led Zeppelin	NO	162	9	18.0	9	1	9.0	1	NO	NO

(*Continued on next page*)

Table A (*Continued*)

	Prior "Indy" experience	DURc	FREc	INTc	DURt	FREt	INTt	SPEc	Non Italian	Band
Level 42	NO	21	2	10.5	3	1	3.0	0	NO	YES
Ligabue	NO	97	4	24.3	4	1	4.0	3	YES	YES
Lionel Richie	NO	57	4	14.3	3	1	3.0	2	NO	NO
Lisa Stansfield	NO	45	4	11.3	1	1	1.0	0	NO	NO
Litfiba	YES	103	8	12.9	3	1	3.0	3	NO	NO
M. Masini	NO	115	5	23.0	19	2	9.5	1	NO	YES
M. Ranieri	NO	54	7	7.7	1	1	1.0	1	YES	NO
Madonna	NO	210	11	19.1	33	4	8.3	0	NO	YES
Mango	YES	106	8	13.3	2	1	2.0	3	NO	NO
Marcella Bella	NO	40	4	10.0	1	1	1.0	1	NO	YES
Mariah Carrey	NO	87	5	17.4	4	2	2.0	2	NO	NO
Mark Knopfler	NO	10	1	10.0	4	1	4.0	0	NO	YES
Matia Bazar	NO	115	10	11.5	1	1	1.0	5	NO	YES
Metallica	YES	28	3	9.3	1	1	1.0	2	NO	YES
Michael Bolton	NO	33	1	33.0	1	1	1.0	0	YES	NO
Michael Jackson	NO	132	4	33.0	7	2	3.5	1	NO	YES
Mietta	NO	29	3	9.7	2	1	2.0	0	NO	NO
Miguel Bosè	NO	134	8	16.8	3	1	3.0	4	NO	YES
Mike Oldfield	NO	64	7	9.1	5	1	5.0	2	NO	YES
Mina	YES	824	40	20.6	75	12	6.3	0	YES	NO
Neri per caso	YES	31	2	15.5	5	1	5.0	0	NO	NO
New Trolls	YES	89	8	11.1	2	1	2.0	1	YES	NO
Nick Kamen	NO	52	4	13.0	2	1	2.0	1	NO	YES
Oliver Onions	NO	25	2	12.5	1	1	1.0	1	NO	NO
Orme	YES	195	10	19.5	3	2	1.5	1	NO	YES
Ornella Vanoni	NO	505	43	11.7	6	2	3.0	6	YES	NO
P. Conte	NO	68	7	9.7	1	1	1.0	4	NO	NO
P. Daniele	NO	267	15	17.8	6	2	3.0	2	YES	NO
P. Pravo	NO	169	12	14.1	9	2	4.5	5	NO	YES
P. Vallesi	YES	46	3	15.3	1	1	1.0	1	NO	NO
P.F.M.	YES	178	18	9.9	1	1	1.0	0	NO	NO
Paul Simon	NO	96	5	19.2	5	2	2.5	0	NO	NO
Paul Young	NO	57	5	11.4	2	1	2.0	0	YES	NO
Peter Gabriel	NO	65	6	10.8	1	1	1.0	2	NO	YES
Phil Collins	NO	133	7	19.0	17	2	8.5	3	YES	NO
Pink Floyd	NO	359	15	23.9	46	6	7.7	3	YES	NO
Police	NO	123	6	20.5	4	2	2.0	2	YES	YES
Pooh	YES	533	29	18.4	10	2	5.0	13	YES	NO
Prince	NO	157	16	9.8	5	1	5.0	4	NO	NO
Queen	NO	192	12	16.0	29	4	7.3	6	NO	NO
R. Arbore	NO	100	7	14.3	6	2	3.0	3	NO	NO
R. Cocciante	NO	327	17	19.2	17	5	3.4	0	YES	NO
R. Vecchioni	YES	236	15	15.7	2	2	1.0	10	YES	YES
R. Zero	YES	301	21	14.3	31	5	6.2	2	YES	YES
R.E.M.	YES	90	5	18.0	10	1	10.0	0	YES	NO
Raf	NO	122	6	20.3	1	1	1.0	3	YES	YES
Ricchi e Poveri	YES	65	3	21.7	2	1	2.0	2	YES	NO

(*Continued on next page*)

Table A (*Continued*)

	Prior "Indy" experience	DURc	FREc	INTc	DURt	FREt	INTt	SPEc	Non Italian	Band
Richard Clayderman	NO	34	3	11.3	2	1	2.0	0	NO	YES
Rick Astley	NO	45	3	15.0	1	1	1.0	0	NO	YES
Rockets	YES	82	6	13.7	1	1	1.0	3	NO	NO
Rod stewart	YES	136	13	10.5	1	1	1.0	8	NO	NO
Rolling Stones	NO	271	22	12.3	4	2	2.0	12	YES	NO
Ron	YES	150	12	12.5	3	1	3.0	11	YES	NO
Rondò Veneziano	YES	135	10	13.5	5	2	2.5	0	NO	NO
Sade	NO	114	5	22.8	2	2	1.0	1	NO	YES
Santana	NO	343	18	19.1	13	2	6.5	0	YES	YES
Simple Minds	NO	130	8	16.3	5	1	5.0	4	NO	NO
Simply Red	NO	130	6	21.7	6	2	3.0	1	NO	YES
Sinead O'Connor	YES	21	2	10.5	3	1	3.0	0	YES	YES
Spagna	NO	52	3	17.3	2	1	2.0	2	NO	NO
Spandau Ballet	NO	76	4	19.0	15	2	7.5	0	YES	NO
Stephen Schlaks	YES	79	7	11.3	1	1	1.0	3	NO	YES
Stevie Wonder	NO	144	10	14.4	7	1	7.0	5	NO	NO
Sting	NO	209	8	26.1	26	6	4.3	0	YES	NO
Supertramp	NO	89	6	14.8	1	1	1.0	0	NO	NO
T. de Sio	NO	52	3	17.3	3	1	3.0	1	YES	NO
T. Esposito	YES	25	2	12.5	1	1	1.0	0	NO	YES
Take That	NO	33	3	11.0	3	1	3.0	1	NO	NO
Talkin Heads	YES	25	3	8.3	1	1	1.0	2	NO	NO
Tanita Tikaram	NO	44	3	14.7	1	1	1.0	0	YES	NO
Tears for Fears	NO	75	5	15.0	1	1	1.0	2	NO	YES
Tina Turner	NO	123	7	17.6	3	1	3.0	3	YES	NO
Toto	NO	46	4	11.5	1	1	1.0	0	YES	NO
Tracy Chapman	NO	72	3	24.0	11	1	11.0	0	NO	NO
U. Tozzi	NO	239	13	18.4	13	4	3.3	1	YES	NO
U2	NO	115	5	23.0	13	3	4.3	1	NO	YES
V. Rossi	YES	341	16	21.3	37	5	7.4	4	NO	NO
Village People	YES	43	3	14.3	1	1	1.0	2	YES	NO
Wham!	YES	43	2	21.5	7	1	7.0	0	NO	NO
Whitney Huston	NO	96	5	19.2	11	3	3.7	0	YES	NO
Zucchero	NO	196	7	28.0	49	5	9.8	1	NO	YES

Appendix B

Table B Anova table for the comparison of means

			Sum of squares	df	Mean square	*F*	Sig.
DURc	Between groups	(Combined)	133,737.3	1	133,737.3	9.86	0.00
	Within groups		2,291,015	169	13,556.3		
	Total		2,424,753	170			

(Continued on next page)

Table B *(Continued)*

			Sum of squares	df	Mean square	*F*	Sig.
FREc	Between groups	(Combined)	358.2	1	358.2	8.17	0.00
	Within groups		7,409.7	169	43.8		
	Total		7,767.9	170			
INTc	Between groups	(Combined)	7.9	1	7.9	1.04	0.31
	Within groups		1,290.2	169	7.6		
	Total		1,298.2	170			
DURt	Between groups	(Combined)	894.1	1	894.1	3.89	0.05
	Within groups		41,973.8	169	248.3		
	Total		42,868	170			
FREt	Between groups	(Combined)	10.2	1	10.2	3.57	0.06
	Within groups		481.6	169	2.8		
	Total		491.8	170			
INTt	Between groups	(Combined)	0.0	1	0.0	0.02	0.88
	Within groups		256.4	169	1.5		
	Total		256.5	170			
SPEc	Between groups	(Combined)	40.0	1	40.0	5.63	0.02
	Within groups		1,200.5	169	7.1		
	Total		1,240.5	170			

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