

CREATIVITY AND INNOVATION IN THE MUSIC INDUSTRY

Creativity and Innovation in the Music Industry

by

PETER TSCHMUCK

*Institute of Culture Management and Culture Science,
University of Music and Performing Arts Vienna, Austria*

A C.I.P. Catalogue record for this book is available from the Library of Congress.

ISBN-10 1-4020-4274-4 (HB)
ISBN-13 978-1-4020-4274-4 (HB)
ISBN-10 1-4020-4275-2 (e-book)
ISBN-13 978-1-4020-4275-1 (e-book)

Published by Springer,
P.O. Box 17, 3300 AA Dordrecht, The Netherlands.

www.springer.com

Printed on acid-free paper

Printed with the support of the Austrian Ministry of Education, Science, and Culture

All Rights Reserved

© 2006 Springer

No part of this work may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, microfilming, recording or otherwise, without written permission from the Publisher, with the exception of any material supplied specifically for the purpose of being entered and executed on a computer system, for exclusive use by the purchaser of the work.

Printed in the Netherlands.

TABLE OF CONTENTS

Preface		ix
Acknowledgements		xi
Introduction		xiii
	1. Aim and Structure of the Book	xiii
	2. Implications of Culture Institutions Studies	xvi
Chapter 1:	The Emergence of the Phonographic Industry Within the Music Industry	1
	1. The Phonograph as Business Machine	1
	2. “Coin-in-the-Slot:”-Machine	6
	3. Records and Gramophones	9
	4. “Herr Doctor Brahms Plays the Piano”	15
Chapter 2:	The Music Industry Boom until 1920	19
	1. The Global Competition in the Phonographic Industry	19
	2. The U.S. Market before World War I	24
	3. The European Market during World War I	27
	4. The Music Repertory on Record between 1900 and 1920	28
Chapter 3:	New Technology and the Emergence of Jazz	41
	1. The Phonographic Industry’s Business Cycle from 1920 to 1945	41
	2. The Phonographic Industry and Broadcasting in the U.S. and Europe	44
	3. “Race Music” and “Hillbilly”	51
	4. Electrical Recording	55
Chapter 4:	The Music Industry as Radio Industry	61
	1. Recession and Depression on the U.S. Phonogram Market	61
	2. Market Concentration in Europe	63
	3. The Dominance of Broadcasting and Sound Films in the U.S. Music Industry	69
	4. Music as an Instrument of Ideology in Europe	70
Chapter 5:	The Swing Monopoly during the Years of Wartime Economy	77
	1. The Music Industry during World War II	77
	2. The Swing Monopoly	81
	3. Music as Propaganda	84
	4. The Intellectualization of Jazz: Bebop	87

Chapter 6:	Rock ‘n’ Roll Revolution	91
	1. Economic Recovery and Technological Innovation	91
	2. The End of the U.S. Music Oligopoly	94
	3. From Rhythm & Blues to Rock ‘n’ Roll	101
	4. Music Production in Post-war Europe	109
Chapter 7:	The Recovery of the Phonographic Industry and New Global Players	115
	1. A Decade of Market Growth (1960-1969)	115
	2. European Majors on the Advance	117
	3. The Recovery of the U.S. Majors under New Leadership	120
	4. The Produced Sound	123
Chapter 8:	The Era of Music Conglomerates	133
	1. The First Merger Mania in the Recording Industry (1965-1975)	133
	2. Oligopolization in the Recording Industry	135
	3. Market Domination by Market Segmentation	136
	4. The Commercialization of Sub-cultures: Heavy Metal, Punk Rock, and Disco	141
Chapter 9:	The Digital Revolution and the Internet	149
	1. From Music Cassette to Compact Disc	149
	2. Superstar Business versus Hip-Hop Culture?	154
	3. The Second Merger Mania in the Recording Industry	160
	4. Music Providers on the Internet	169
Chapter 10:	Theoretical Concepts of Innovation and Creativity	179
	1. Typologies of Innovations	179
	2. Innovation as a Collective Action Process	183
	3. Typologies of Creativity	193
	4. Creativity as a Collective Action Process	195
Chapter 11:	Creativity and Innovation in the Music Industry	205
	1. Revolutions in the 20 th Century Music Industry	205
	2. Cultural Paradigms and Creative Trajectories in the Music Industry	213
	3. An Explanation for the Change of Paradigms in the Music Industry	218
	4. Diversity as a Pre-Condition for Creativity and Innovation	223

TABLE OF CONTENTS

vii

Chapter 12: Creativity and Innovation in the Music Industry's Value-added Chain	231
1. The Search for New Talents: A&R Management	231
2. The Process of Music Production	237
3. Marketing and Promotion	243
4. The Distribution Process	246
Appendix	251
References	255
Index	263

PREFACE

When my *Habilitation* (the tenure research document for my professorship) was published for the first time by StudienVerlag in 2003, I did not expect that a scientific study such as this would reach such a large readership in the German-speaking world. However, public discussion at that time was coincidentally focused on the structural break within the music industry, culminating in a controversial debate about the causes and consequences of that revolution. While I did not intend to address the current discussion regarding the development of the music industry, it nonetheless appeared to be the right time to publish such a book. Timing, in other words, matters!

The unexpected acceptance of my book by the Austrian and German readership inspired me to consider publishing it in English as well. The book provides an explanation for the emergence of innovation and creativity in the music industry by retelling and interpreting its history, from Thomas Alva Edison's invention of the phonograph in 1877 to the latest innovations such as MP3-files and iPods. The global nature of this history causes me to believe that this book is going to be of interest to an international readership as well. My hope is that this translation will be received with the same level of warmth and generosity that the publication of the German original enjoyed.

Vienna, August 31st 2005

ACKNOWLEDGEMENTS

Although the book cover identifies me as the sole author, this book would not exist in its present form without its translator, Marco Abel. I would like to thank him for his engaging translation of the German original; his labor gave rebirth to my work in a faithful, yet stylistically autonomous manner. I hope that we will have the opportunity to collaborate on many more projects in the future. I would also like to thank Jennifer Wijangco, who invested so much time in her thorough editing of the book. With the help of her precise and reliable proofreading abilities, she put the finishing touch on the text. Since a translation of a book is very costly, this project would not have been possible without Springer's financial and moral support of the translation process. I would like to extend my sincere gratitude to Cathelijne van Herwaarden for believing in this project from the start and for promoting it, and I wish to thank Herma Drees for her assistance in the preparation of the manuscript. In addition, I greatly appreciate the Austrian Ministry of Education, Science, and Culture's generous support of the translation in order to make my book available to an international readership. Last but not least, I would like to thank all my colleagues, students, and friends for helpful feedback and comments on the German version of the book.

INTRODUCTION

1. AIM AND STRUCTURE OF THE BOOK

The book's title, *Creativity and Innovation in the Music Industry*, might lead some readers to believe that I will offer the ultimate explanation for how creative and innovative music is made. My intention, however, is not to provide a manual for "creative" or "innovative" work. Rather, I will subject "creative" or "innovative" work to a precise analysis. Nevertheless, I hope the reader will not discard the book out of disappointment and instead accompanies me on a journey through the history of the music industry during the 20th century in order to eventually obtain *one*, though not *the*, answer to the question of how novelty is created in the music industry.

I speak quite consciously of the "music industry," even though for good parts of this book I will be concerned specifically with the history of the phonographic industry. The term "phonographic industry" refers to a business area in which a large part of the creation of value is accomplished through the production and distribution of phonograms. To solely focus on the producers of phonograms would, however, result in a completely distorted picture of the connections within the industrial production of music. The production of phonograms is unthinkable without the music publishers providing the "creative" raw material for the production of music in the form of copyrights. Further, the distribution of phonograms is inextricably connected with the promotion of music content. In the efforts to distribute music to the public, broadcasting plays as crucial of a role as concert promoters, whom the phonogram companies consider advertisers of their products. In this network of industrial music production we must also consider the royalties-collecting societies that regulate the compensation of musicians, as well as the publishing and phonographic companies. Likewise, the music instrument industry is closely related to the phonographic industry, not only because it provides part of the technical equipment used for the production of music in the studio, but also because phonograms became the most important advertising medium for its products (i.e., electric guitars, drums, synthesizers, etc.) ever since the birth of rock music. All these relations can be made visible only when turning the entirety of the music industry into an object of and for scientific research.

It should thus be obvious that my use of the term "music industry" does not pejoratively label the big phonographic industries, as this is sometimes the case in everyday language. Rather, with the term "music industry" I delineate a network in which the production and distribution of music occurs in a process relying on the division of labor and the help of the latest technologies. In such a way, the mass consumption of music becomes possible.

This type of music production can be traced back to the end of the 18th century when the system of feudal rule began to disintegrate and its cultural outlet, the court, lost its social dominance due to socio-economic circumstances. Artists and especially musicians, whose existence had been enabled by the court-system up until that point, had to continue their work in a new context, which did not transpire without crises in the transitional period. What today might appear as the former court musicians' emancipation from a feudal-absolutist aristocracy constituted for many nothing short of a social catastrophe. At the end of the 18th century, the court laid off many composers and musicians, because the aristocracy could not or did not want to pay for expensive court orchestras anymore. Since the structures of a market economy were not yet sufficiently developed, only a few of the newly unemployed succeeded at building a new life. These few, however, recognized the economic opportunities afforded by the emergence of a music publishing industry and a public concert culture. For instance, in the 1780s Wolfgang Amadeus Mozart managed to escape the court of the archbishop of Salzburg, where he served as an organist, and started an independent economic existence as a composer and musician in Vienna (Braunbehrens 1986). Likewise, Joseph Haydn, who for the better part of his life worked as a court musician, managed to succeed economically as a composer after the termination of the Esterházyian "Hofkapelle" (Somfai 1989). Mozart and Haydn were precursors of a new generation of self-confident composers who generated their income in the free market and no longer needed attachment to the court. Ludwig van Beethoven is without a doubt the prime example for this new type of composer; though surrounded by courtly benefactors, Beethoven did not depend on them for his livelihood anymore, since as an independent artist he sold his efforts in the marketplace (Tschmuck 2001a).

However, Beethoven's rise as a music titan was possible only because of new production conditions. As a music composer, he now dealt with an anonymous, largely bourgeois audience that received his works in various ways, as opposed to negotiating only with one prince or his royal household. The most important basis for this new form of reception was printed sheet music, which offered piano extracts as well as adaptations for other instruments and small ensembles. A labor-sharing, industrial production process had to replace one based on small business structures, since music was now made for a mass audience rather than for a small courtly circle of music lovers. Music publishers, which were small companies in the 18th century, developed into industrial corporations in the 19th century that rationalized each individual aspect of the labor process. Large print runs and cost advantages could thus be attained.

Until the beginning of the 20th century, the music publishing industry sat center-stage in the music industry's value-added chain. This changed around 1900, however, due to the quick distribution of phonograms and phonographs that surfaced. Thus, the invention of the phonograph triggers a process by which the phonographic industry becomes part of the music industry. Chapter 1 describes this process by showing how these new technological possibilities were integrated with the existing structures of music production. Although the phonographic industry was not yet at the center of the music industry, it began to dramatically alter the production and distribution processes. I will map out the changing conditions of

production not only on the economic and technological level, but also on the level of music aesthetics. The goal is to enable an integrated, quasi-systemic, view of technological, economic, social, and aesthetic processes of change.

Chapters 2 through 9, then narrate the many facets of the music industry's history in the 20th century. This description, however, does not merely constitute a chain of historical facts. Rather, the aim of this descriptive method is to point out structural connections and breaks between the phenomena of change. Therefore, in chapters 2 and 3 I will clearly show how in the 1920s a structural break—the Jazz revolution—allowed the broadcasting industry to assume a dominating role in the music industry's value-added chain, thus enabling it to enforce its logic of production and distribution onto music publishers and phonogram producers. Chapters 4 and 5 describe the rise and fall of the broadcasting medium as the most important factor in the industrial production of music, while simultaneously documenting the fall and subsequent resurgence of the phonographic industry. Chapter 6 calls attention to a second structural break—the Rock 'n' Roll revolution of the 1950s—that once again completely altered the music industry's logic of production, distribution, and reception. This break allowed the phonographic industry to assume power in the value-added process and to subordinate all other protagonists to its own logic of production and distribution. Since the 1950s, the music industry is at its core a “phonographic industry,” and chapters 7 through 9 present its evolution from the 1960s to the present in great detail. Chapter 9 finishes the descriptive part of this book by calling attention to a possible new structural break caused by digitizing music content.

Up until this point this book could be read as a history of the music industry during the 20th century, though I lay no claim to having exhausted the subject matter. I describe and analyze the most important technological and aesthetic innovations, but not all. Because it did not help my later modelling of the process of creativity and innovation in the music industry, I omitted a discussion of various dance fashions. For the same reason, I mention only in passing phenomena such as Reggae, World music, Folk music, and regionally significant music styles. Likewise, I did not investigate the connection between music industrial centers and peripheries, partly because some excellent studies have already addressed this issue (Wallis and Malm 1984, Gebesmair and Smudits 2001), and partly because the development and ruptures of the music industry reveal themselves more forcefully at its centers. Specific music styles and genres are not covered throughout their entire existence—to accomplish this one would have to write an encyclopedia—but are addressed only during the period in which those styles and genres had their greatest impacts. For example, I follow the evolution of Jazz music only into the 1950s, after which point it lost its dominating power in the music industry and retreated into market niches such as Bebop, Cool Jazz, Hard Bop, Free Jazz, and various revivals.

Nonetheless, this book can be read as a first approximation of an international history of the music and phonographic industry. The few existing studies dealing with this subject either limit their focus to the music industrial development in the United States, especially the history of popular music (Gillet 1971, Chapple and Garofalo 1977, Hamm 1983, Sanjek and Sanjek 1991, Garofalo 1997); or assume international perspectives but lose themselves in anecdotal details (Riess 1966,

Gronow and Saunio 1998). Only one study (Kuhnke et al 1976) successfully presented the music industry's conditions of production on a global scale with all the attendant social, economic, and technological implications; unfortunately, its analysis does not extend beyond the 1950s and covers only the production of popular music. A history of the music industry comprehensively covering industrial music production throughout its existence and in all its aspects is yet to be written.

This study has recourse to the history of the music industry in order to accomplish another goal – the search for an explanation for the emergence of novelty in the music industry. To this end, I will critically discuss in chapter 10 various theories of innovation and creativity. However, these theories, which were developed in very scientific contexts, are insufficient for my purposes; therefore, I found a need to develop a more general explanatory model. Specifically, an integrated model of innovation and creativity is required that, on one hand, encompasses already existing approaches, and, on the other, is capable of explaining processes of change that occurred throughout the history of the music industry. In chapter 11, I derive this explanatory model from the empirical material presented in the preceding chapters. Rather than pretending to offer a generally valid theory of creativity and innovation, I see my work expressing an epistemological humility: I am merely concerned with generating a model capable of explaining how different levels of novelty emerged and succeeded in the music industry of the 20th century. In the final chapter, I will apply this model to the value-added chain as it currently continues to dominate the industrial production of music and investigate the industry's current potential for creativity and innovation.

2. IMPLICATIONS OF CULTURE INSTITUTIONS STUDIES

Consistent with my own theoretical approach, I view the explanatory value of this study not in generating completely new models but in synthesizing already existing explanations into new approaches. To this end, I use typically disparate scientific fields of study, such as theories of innovation based on economic research and psychological and sociological theories of creativity, and combine them with the discourse of popular music research. This interdisciplinary approach and application of different fields of scientific study corresponds to a scientific method approach promoted by culture institutions studies as practiced at the Institute of Culture Management and Culture Studies at the University of Music and Performing Arts in Vienna.

The scientific approach of culture institutions studies derives from Werner Hasitschka's work and aims for an "interdisciplinary, scientific explanatory knowledge of culture institutions" (Hasitschka 1997: 89), with "culture institutions" meaning "(institutional) organizations that primarily offer values and norms (ideas)" (88). However, "culture institutions" refers not only to organizations but also explicit rules and implicit patterns of action and convention that constitute and stabilize cultural praxis (Hasitschka, Tschmuck and Zembylas 2002) and thereby converge to an institutional frame. A culture institution is thus an institution that specializes in the production of cultural symbols. This production of symbols is,

however, only one side of the coin. The flipside, which cannot be separated from the production of symbols, is the economic transformation of cultural symbols into cultural goods. It is the emergence of cultural goods, especially in advanced industrial and market-economy societies, that provides the focus for the scientific efforts of culture institution studies (Figure a).

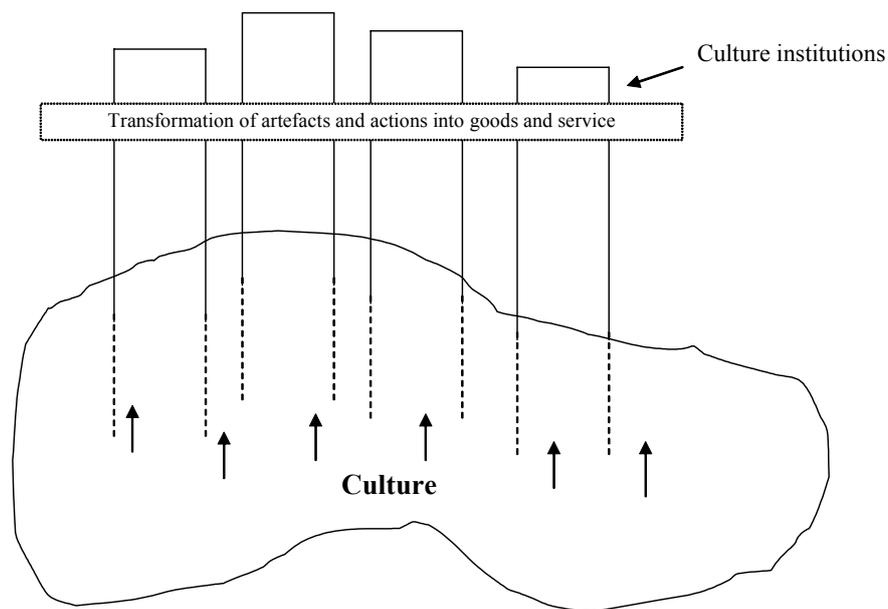


Figure a. Emergence of cultural goods.

However, cultural goods and services should not automatically be viewed as scarce. The phenomenon of scarcity emerges only when the availability and existence of these goods and services is perceived to be insufficient. Scarcity is a product of the exchange function inherent to goods and services through which they acquire economic value. The exchange function can thus be called an economic function as well. Cultural goods and services acquire this exchange function if they are perceived to be scarce. They acquire a quasi-economic charge without losing their cultural symbolic function in the process. They differ from other economic goods primarily in that the simultaneity of the symbolic and economic functions are implicit and thus impossible to eliminate. Cultural goods must therefore be accounted for in their entire functionality—symbolically as well as economically. Their economic function cannot be fully understood without their symbolic function and vice versa.

Since culture institutions—organizationally and sociologically—comprise cultural goods, culture institutions studies focuses its attention on organizational

structures of the institutional frame of action and the processes developing within it. The goal is to ensure a simultaneous explanation of the economic and symbolic function of cultural goods and services.¹ This concept is understandably more than a management theory of cultural organizations. While culture management studies focuses purely on how to adapt management tools to art and culture, culture institution studies encourages the concurrent analysis and interpretation of social, political, and economic functions of cultural symbols. Culture institution studies thus gains its insights from cultural studies and economics; yet, culture institution studies should not be understood as merely being part of the other disciplines but instead as providing new contributions offering different qualities.²

In summary fashion we can say that culture institution studies emphasizes the following research agendas (see Hasitschka, Tschmuck, and Zembylas 2002):

- (1) The explanation of the process by which cultural goods form significant, symbolically charged entities and of their transformation into objects possessing economic exchange value.
- (2) The analysis of those cultural practices and their institutional embedding that characterize the production and circulation of cultural goods in a constitutive and regulative way.
- (3) The research of the specific characteristics of cultural institutions as organizational entities.
- (4) The examination of the social organization of art and cultural jobs as well as other activities (i.e., consumption, reception, etc.).

The book at hand participates in the area of research delineated by culture institution studies. The music industry is understood as an institution in which cultural symbols (music) are turned into objects of exchange, thus charging the symbolic entities economically. The interdisciplinary approach is meant to prevent, for instance, economic aspects becoming the sole object of investigation and instead to ensure consideration of this field's cultural practices in their entirety. In so doing, this study emphasizes the creation of novelty in front of the institutional background provided by the music industry. We have to answer the question of how novelty emerges and prevails under the respective conditions of the culture institution "music industry." Methodologically, this study mobilizes a historical context analysis that allows us to consider the respective peculiarities of the conditions of the emergence of novelty in the context of the music industry's development. The historical-descriptive chapters 1 through 9 specifically attend to this task.

¹ Compare the action-theoretical approach of culture institution studies developed by Zembylas (2002).

² For an extended justification of culture institution studies as an interdisciplinary approach, see Zembylas (2004).

The formation of the explanatory model for creativity and innovation in the music industry (chapter 11) is based on an interactive analytical approach (see Hasitschka 1997: 35-41) that merges the level of value of the industrial production of music (music as cultural symbol) with the level of practice (agents in the music industry and their interactions). The result is a model of action that fashions creativity and innovations as part of an interactive process that considers social, economic, technological, legal, and other aspects. Hence, insights from economic disciplines (such as innovation theory) contribute as much to the model as those gained from the arts and sciences or sociology. I thus offer a study that might very well be one of the first to exemplify an extended application of the research principles of culture institution studies.