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Walden University

College of Management and Technology

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Jeanelle Murray-Noel

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Walden University
2018

Abstract

Small Business Profitability Strategies in the Music Recording Industry

by

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MBA, University of Mississippi, 2004

BSc, University of the West Indies, 2001

Doctoral Study Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

Walden University

August 2018

Abstract

With the rise of digital technologies, consumers can stream music content, which has made it more difficult for music companies to be profitable. Small business owners in the music recording industry in the West Indies have found this trend particularly challenging, affecting their profitability. This multiple case study explored the adoption of disruptive technologies by small business owners in the music recording industry to increase profitability. The research population included 5 small business owners in the music recording industry in the West Indies who successfully adapted to the changes in the industry's business model and whose businesses are profitable. Christensen's theory of disruptive innovation served as the conceptual framework for this study. Data from face-to-face, semistructured, in-depth interviews, observations, and analysis of internal company documents were collected and triangulated. Within-case analysis was used to understand the general meaning of the participants' responses. Each case was described and themes were identified. Cross-case analysis was used to compare the 5 case descriptions and identify 5 cross-cutting themes. These 5 themes included focus on live performances, focus on marketing and building a brand, adopt innovations in all functions of the business, diversify income streams, and adopt vertical integration strategies. The implications for positive social change include the potential to increase the profitability of small businesses in the recording industry in the West Indies by sharing the strategies emerging from the study. Profitable businesses can lead to improved livelihoods of the small business owners and their families.

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Dedication

I dedicate this study to my parents, Stafford and Doris Murray, who, from day one, have motivated me to be the best version of myself and to always keep progressing. Without your upbringing I would not have even endeavored to pursue this dream. I love you dearly and hope that I have made you proud.

Acknowledgments

Most semesters I did not know how I was going to pay my tuition, but God provided a way every time. I thank Him for providing for me and for the ability to make it to the end. I thank my chair, Dr. Edgar Jordan, whose wisdom and insights helped structure my thoughts to make this study useful to end users. His guidance was invaluable, propelling me steadily through this journey. I also want to thank the other members of my committee, Dr. Brenda Jack, and Dr. Yvonne Doll, who offered encouragement and support, helping me to complete this study. I thank the DBA Program Director, Dr. Susan Davis, for her dedication and leadership of the program. I also thank my friend, David Wood, who encouraged me to start this journey in the first place. I thank my best friend, Kizzy Mc Ewen, who stood by me every step of the way, believing in me and pushing me with her words, “Believe in yourself and all you want to be; the longer you practice the habit of working towards your dreams, the easier the journey will become.” I thank my dear friend, Nickali Hinkson, who encouraged me to be patient when approval was out of my control and prayed for my success. I also want to thank my friend, Jerry Boyce, who supported me by understanding that I needed to devote some of the time that I would spend with him to this study and also prayed for my success. I thank each of them from the depths of my heart because without them this journey would not have gone the way it did.

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Section 1: Foundation of the Study

With the advent of digitization, consumers can stream music content, making it difficult for firms in the music recording industry to be profitable. Researchers studying the creative industries in the United States and the Caribbean have analyzed the music recording sector's contribution to gross domestic product (GDP) and its potential for growth (Bureau of Economic Analysis, 2015; Nurse, 2015; United Nations Development Program [UNDP] & United Nations Educational, Scientific and Cultural Organization [UNESCO], 2013). Scholars have studied the critical success factors for small businesses in the United States and other regions (Guettabi, 2015; Hayes, Chawla, & Kathawala, 2015). Over the course of my literature review, I determined that researchers have not conducted studies concerning factors that contribute to profitability in the music recording industry in the Caribbean. I thus conducted this study to provide insights into how small business owners in the music recording industry in the West Indies can adopt disruptive technologies to increase their profitability.

Background of the Problem

The music industry has three parts: music recording, music publishing, and live music performance. I focused on the music recording industry. Since the end of the 20th century, technological innovations such as digitization and the Internet have changed the way music is produced, promoted, and distributed globally (Moreau, 2013). As these changes became more disruptive between 1999 and 2004, the music recording industry experienced significant decreases in business performance as consumers found downloading music onto digital platforms more convenient than purchasing physical

formats (Myrthianos et al., 2014). Eventually, industry players adopted the disruptive technologies and industry business performance improved.

Despite improved business performance in recent years globally, small business owners in the music recording industry in the West Indies still face challenges. In 2015, the industry's global digital revenues surpassed physical format sales (Kurtzman, 2016). This shift reflected technological development and changes in the music industry business model as well. Despite technological advancement, small businesses operating in the creative industries, including the music recording industry, typically experience only a 10-15% success rate (Beck, 2012). One challenge that small businesses in the music recording industry in the West Indies face is the inability to adapt to technological changes such as digitization (Nurse, 2015). Small business owners have not taken full advantage of streaming and other digital services to maximize profitability.

Problem Statement

With the rise of digital technologies, consumers can stream music content, which has made it more difficult for music companies to be profitable (Wlömert & Papies, 2016). In 2003, global recorded music revenues amounted to more than $32 billion (Kurtzman, 2016). By 2014, sales had decreased to under $15 billion (Kurtzman, 2016). The general business problem is that small businesses in the music recording industry experience a lack of profitability because their owners have not adapted their business models to be innovative in the context of digitization. The specific business problem is that some small business owners in the music recording industry in the West Indies lack

strategies to adapt to business model innovation to ensure profitability in the context of digitization.

Purpose Statement

The purpose of this qualitative multiple case study was to explore the strategies that some small business owners in the music recording industry in the West Indies use to adapt to business model innovation to ensure profitability. The population consisted of five small business owners in the music recording industry in the West Indies who have successfully adapted to the transformations in the industry's business model and are profitable. Researchers have found that profitable firms generate employment and contribute to higher standards of living for small business owners, their families, and communities (Hayes et al., 2015). The findings from this study could contribute to social change if small business owners in the West Indies music recording industry can implement the strategies presented in this study to make their businesses profitable.

Nature of the Study

Qualitative research involves the collection, analysis, and interpretation of narrative and visual data to understand a phenomenon of interest (Sarma, 2015). Qualitative research was the most appropriate method for this study because I sought to collect and analyze narrative and financial data to explore the profitability strategies that some small business owners in the music recording industry use in the context of digitization. One reason for conducting quantitative research is to test theories positing linkages among variables (Johnson, 2015). The objective of this study was not to test theories but rather to understand a phenomenon, which made quantitative research

unsuitable for this study. As mixed methods researchers use both quantitative and qualitative methods in one research inquiry (Venkatesh, Brown, & Bala, 2013), a mixed-methods approach was also not suitable for this study.

Qualitative researchers can use case study designs to provide an understanding of specific dynamics within a particular setting (Sato, 2016). Based on my review of the literature, adapting to business model innovation in the music recording industry in the West Indies is a complex phenomenon that required an in-depth inquiry. For this reason, I selected a case study approach for my investigation. I also chose to analyze multiple cases, as opposed to a single case, because using multiple cases enables comparison of similarities and differences among the selected cases (see Sato, 2016). I considered but decided against using a phenomenological or ethnographic design for this study. In phenomenology, researchers seek to explain phenomena by summarizing how individuals describe their experience of a particular phenomenon (Bell & Bell, 2015). In ethnography, researchers seek to draw meaning from the behaviors, language, and interactions among group members and provide a comprehensive description of group cultures (Baskerville & Myers, 2015). The intent of my study was not to explore the meanings of lived experiences or present a description of the social or cultural context of the music recording industry in the West Indies, but to determine the strategies that small business owners in the music recording industry in the West Indies use to ensure profitability. For this reason, I deemed phenomenological and ethnographic designs inappropriate for this study.

Research Question

What strategies do small business owners in the music recording industry in the West Indies use to adapt their business models to ensure profitability?

Interview Questions

I posed the following open-ended interview questions to participants. The focus of the interview questions was on the strategies that small business owners used to adapt to business model innovation in the music industry:

- What role do you play in the music recording industry?
- How would you describe your music recording industry's business model?
- What effects does your business model have on your company?
- What strategies did you use to respond to the changes in the music recording industry's business model to ensure profitability?
- How have you assessed the effectiveness of your strategies for adapting to business model innovation?
- How have your strategies affected your business profitability?
- What additional information would you like to add about adapting to the changes that occurred in the music recording industry?

Conceptual Framework

The conceptual framework for this qualitative study was based on Christensen's (1995, 1997) theory of disruptive innovation. Christensen (1997) proposed that disruption starts when new entrants, usually smaller companies with fewer resources, introduce a product or service either where no market exists or to segments of the market that have

been overlooked by incumbents. Incumbents tend not to respond immediately to the innovation as they continue to focus on their main customers (Christensen, 1997). In time, the foothold gained by new entrants expands into the incumbents' mainstream customers, and disruption occurs (Christensen, 1997). The theory of disruptive innovation is based on competitive response to innovation (Denning, 2016). The theory explains how an incumbent will respond to an innovation a new entrant introduces. Disruptive innovation theory thus provided a basis for understanding how some small business owners in the music recording industry responded to business model innovation.

Operational Definitions

Business model innovation (BMI): BMI is a new system of creating and capturing value of a firm, its alliances, and customers (Bouncken & Fredrich, 2016).

Dynamic capabilities: Dynamic capabilities are a firm's ability to sense and seize new opportunities to create a competitive advantage by reconfiguring its resources to align with changes in its environment (Teece, 2014).

Small and medium-sized enterprises (SMEs): While there are various definitions of SMEs globally, the Organization for Economic Cooperation and Development (OECD) defines SMEs as firms with fewer than 199 employees, excluding non-employing businesses and those in the financial service industry (Li, 2015).

Sustaining innovation: Sustaining innovation improves the performance of an existing product or service along dimensions valued by mainstream customers (Christensen, 1997).

Assumptions, Limitations, and Delimitations

Assumptions

Assumptions are beliefs and views held by a researcher that cannot necessarily be verified but which shape the study (Dean, 2014). My first assumption was that a qualitative study was the most appropriate research method. Second, I assumed that my conceptual framework of disruptive innovation theory (Christensen, 1997) was helpful for explaining the strategies that small business owners in the music recording industry use to adapt to business model innovation. Another assumption was that respondents were informed about the phenomenon being analyzed. Further, I assumed that the participants answered the questions honestly and that a sample of five participants was enough to gain credible results. The final assumption was that the findings will offer value to small business owners in the music recording industry who are seeking profitability.

Limitations

Limitations are potential weaknesses of the research outside the control of the researcher (Patton, 2014). Awareness of limitations helps researchers place the study in context and understand critical information that may affect the validity of the research (Patton, 2014). A sample size of five small business owners was a potential limitation because the sample may not have been large enough to be representative of the entire small business population. Using interviews to collect data in a qualitative study introduces researcher bias (Collins & Cooper, 2014), which was another potential limitation. Researcher bias or the preconceived notions of the researcher can influence

the findings of a study. Participants did not fully disclose information regarding the profitability of their businesses, which may have affected the accuracy of the data. Qualitative data are also subject to multiple interpretations (Branham, 2015). Qualitative researchers can only offer interpretations of their findings, thereby making this type of research subjective rather than objective. The short timeframe for conducting this research was another limitation.

Delimitations

Delimitations refer to the boundaries of the research and to deliberate limits set by a researcher on the focus and scope of the study (Dean, 2014; Mitchell & Jolley, 2014). The focus of this study was on profitability strategies. The research sample only included small business owners in the music recording industry with knowledge of profitability strategies that can be used when facing disruption. I also geographically delimited the study to small business owners in the West Indies.

Significance of the Study

Disruptive business model innovations create a challenge for managers to find ways to adapt or even survive. Owners of small incumbent firms find adaptation to be particularly difficult because they have more resource constraints than large companies (Bouncken & Fredrich, 2016). Given that small business owners are less bureaucratic than owners of large firms, small business managers can respond to opportunities and changes in the marketplace more easily (Dewald & Bowen, 2010). Small business owners need to understand the strategies they can implement to adapt to business model innovation to be profitable. The findings of the study may be of value to businesses

leaders because the results can help small business owners understand how to be profitable when technological disruptions occur.

Contribution to Business Practice

This study about small business profitability strategies in the music recording industry is important because recording companies in the West Indies have lagged behind those in the global music recording industry in changing their business models to take advantage of digital technologies (Nurse, 2015). According to my review of the literature, no documented strategies involving adapting to business model innovation in the West Indies music recording industry exist. Some small business owners in the country's music recording industry do not understand how to take advantage of digital technologies. The findings from this study could enable the country's small business owners to implement improved management and business strategies.

Innovation is critical for survival, growth, and enhancing the competitive position of companies. Adopting innovative strategies including business model innovation tends to create value for customers and helps small business owners efficiently exploit changes in the market (Petkovska, 2015). Improving management practices can foster productivity and lead to increasing revenues and business profitability (Taneja, Pryor, & Hayek, 2016). Collective management organizations (CMOs) and business support organizations that offer advice and technical assistance to music rights holders may also benefit from understanding how small business owners have successfully addressed the business problem. Policymakers may find these results useful for making changes to enable small music business owners to adapt to the new business model.

Implications for Social Change

Leaders who seek to create positive social change can share the study's profitability strategies with small business owners in the music recording industry. Adopting these success strategies could help transform business owners' thought patterns and behaviors (Figart, 2017) and build the music recording industry. Small firms in the music recording industry that adopt these business strategies could also experience an increase in revenues that can lead to poverty reduction, improved livelihoods, and a contribution to GDP.

A Review of the Professional and Academic Literature

The objective of this qualitative multiple case study was to explore the strategies some small business owners in the music recording industry use to adapt to business model innovation to ensure profitability. My aim in this professional and academic literature review is to synthesize and compare different perspectives of various researchers relative to the research question. Foundational works regarding the adoption or diffusion of innovation include Christensen's (1997) theory of disruptive innovation and Rogers's (1995) theory of diffusion of innovation, but neither theory focuses specifically on the music recording industry. Other scholars have used the theory of disruptive innovation to map the trajectory of technological innovation over time. Moreau (2013) and Myrthianos, Vendrell-Herrero, Parry, and Bustinza (2014) used the theory of disruptive innovation to examine the effect of digitization on revenues and profits in the music recording industry, but no scholars have used the theory to explore small business profitability strategies in the music recording industry in the West Indies.

In the literature review I provide an in-depth exposition of the conceptual framework, the theory of disruptive innovation (Christensen, 1997), and how scholars can use it to explain the changes in the music recording industry. I incorporate a discussion of supporting and contrasting theories, including business model innovation, dynamic capabilities, and diffusion of innovation. An overview of the music recording industry in the West Indies provides the reader further context, as does a discussion of profitability measures in the music recording industry.

The literature review includes 100 references from peer-reviewed journal articles, books, conference proceedings, and local government, multilateral development organizations', and industry-related websites. Of the 100 references, 93% of the sources (93 references) are peer-reviewed while 94% (94 references) have a publication date 5-years or fewer prior to my anticipated completion date of August 2018. To conduct the research, I used databases available through the Walden University Library including ProQuest Central, Business Source Complete, Emerald Insight, Sage Journals, and Google Scholar. Keywords in the primary search were *music industry*, *evolution of the music industry, theory of disruptive innovation, business model innovation (BMI), intellectual property in the music industry, dynamic capabilities, theory of diffusion of innovation, profitability strategies,* and *small business success.*

Theory of Disruptive Innovation

The theory of disruptive innovation refers to the business reactions of firms to an innovation introduced into established markets that proves to be disruptive over time. According to Christensen (1997), disruption is an evolutionary process that involves a

smaller firm with fewer resources entering the market with an innovation. The performance of these innovations is initially below that of existing products and services. The innovation provides a new and additional performance feature (Bergek, Berggren, Magnusson, & Hobday, 2013; Christensen, 1997) typically related to size (Corsi & Di Minin, 2014), price (Chulu, 2015; Denning, 2016), convenience, mobility, or function (Nagy, Schuessler, & Dubinsky, 2016; Reinhardt & Gurtner, 2015). Nagy et al. (2016) and von Pechmann, Midler, Maniak, and Charue-Duboc (2015) have noted that disruptive innovation also changes consumer expectations by using lower cost materials or production processes, or by providing new forms of ownership. Mainstream customers often view the new products or services as inferior and are not willing to switch at first, even if the new offering is less expensive (Christensen, Raynor, & McDonald, 2015). Over time, the innovation turns out to be disruptive as mainstream customers adopt the innovation in volumes, eventually displacing the established products or services. This evolutionary process makes the theory of disruptive innovation a useful tool for interpreting the results and theoretical contributions of this study.

Scholars have used the theory of disruptive innovation to explain discontinuities in a variety of industries. In his seminal work, Christensen (1997) used the hard disk drive industry to explain disruption. Other scholars have used the theory to map the trajectory of technologies in various industries and their market-side reactions, including flat panel technologies (Lim & Anderson, 2016), newspapers (Karimi & Walter, 2015), and the music industry (Moreau, 2013). Christensen (1997) also outlined two types of disruptive innovations: those that occur in the low-end of an existing market, and those

innovations that create a new market where none existed. These applications all provide insight into the usefulness of the theory as a conceptual framework for this study.

Low-end disruptions. Low-end disruptive innovations occur in the low-end of the market. One distinguishing feature of these innovations is that the small firm enters the low-end of the market providing customers with functionality that is more suitable for that tier of the market and often at lower prices (Bergek et al., 2013; Christensen, 1997; Wan, Williamson, & Yin, 2015). These niches exist because incumbent firms focus on sustaining innovations or improving the performance of their products and services to meet the demands of their most profitable customers. This focus results in some niches not being served and incumbent firms overshooting their customers' demands for performance.

Overshooting customer demands and selling innovations at higher profit margins is a precondition for market disruption. King and Baatartogtokh (2015) noted that not all incumbent firms overshoot customers' needs. Sometimes the sustaining innovations, while needed, simply become too expensive for customers, pricing the product out of the market. Additionally, customers find ways to use the increasing performance features, reducing the threat of disruption and competition (King & Baatartogtokh, 2015). Nevertheless, overshooting customers' demands presents an opportunity for new firms to enter the market with a potentially disruptive innovation (Christensen et al., 2015; Vriens & Søilen, 2014).

Because the innovation is new and its market performance undetermined at that point, incumbent firms tend to continue to focus on investing in established businesses or

sustaining innovations for which they perceive a competitive advantage rather than the underperforming technology (Christensen, 1997; Huesig et al., 2014; King & Baatartogtokh, 2015; Vriens & Søilen, 2014). These sustaining innovations aim to meet the demands of their mainstream customers, leading to increased profitability for the firm. Established firms may choose to wait and see if the new technology is successful before responding (Christensen, 1997; Gans, 2016). To react to any innovation before knowing its success would be to divert scarce resources away from meeting the demands of a firm's most profitable customers.

Many leaders of incumbent companies face challenges when responding to the disruptors. King and Baatartogtokh (2015) and Chulu (2015) noted that legal or industry restrictions, as well as a lack of technical skills or production facilities in the incumbent organizations, prevent some established firms from responding to disruptive innovations. Entrants gain a foothold in the mainstream market by delivering performance that customers require while maintaining their competitive advantages (Christensen, 1997). The innovation incrementally improves until it eventually competes with the existing products and services (Christensen, 1997; Denning, 2016; Nagy et al., 2016; Vriens & Søilen, 2014). This trend is another distinguishing feature of disruptive innovation: The innovation must evolve in performance while remaining lower in price, which attracts more customers to the innovation.

The extent to which a disruptive innovation attracts customers from the mainstream market determines the potential of entrants to be disruptive. Disruption occurs when mainstream customers start adopting the new products or services in

volumes that displace the existing market offerings (Christensen, 1997; Habtay, 2012; Wikhamn & Knights, 2016). Denning (2016), Huesig et al. (2014), and Vriens and Søilen (2014) suggested that incumbent companies at this point are too late to react and the existing product or service is displaced.

Not all incumbent firms fail in the face of a disruption. Some new entrants and incumbent firms coexist, while some new entrants complement the business of existing firms (Gans, 2016; King & Baatartogtokh, 2015). Velu (2016) explained that as customers move away from the existing products and services, adopting the disruptive innovations in large quantities, the resource base of incumbent firms diminishes. Such a decline may motivate the established companies to cooperate with their competitors to regain market share or innovate their business models in order to retain their leadership position in the industry.

New-market disruptions. Entrants sometimes develop products and services that appeal to customers who traditionally did not own or use the products or services. This new market segment that adopts the disruptive innovation belongs to the same market in which incumbent companies operate (Corsi & Di Minin, 2014; Habtay, 2012). These radical innovations create new demand for functionality not provided by existing products or services (Christensen, 1997; Nagy et al., 2016). To cause a new market disruption, the innovation should (a) be simple and appeal to nonconsumers, (b) provide convenience to customers, and (c) be affordable and easy to use (Vriens & Søilen, 2014). Chulu (2015) suggested that another characteristic of a new market disruption is that the

performance of the disruptive innovation should be below that of the sustaining innovation. All these characteristics help the new product or service enter the market.

Like products in existing markets, after a series of sustaining innovations, the new products or services improve and perform at sufficient levels to attract mainstream customers. Some disruptions are hybrids—entering the low-end of the market but also appealing to customers who never previously owned the product or used the service (Corsi & Di Minin, 2014; Vriens & Søilen, 2014). For example, the Toyota Corolla, which when introduced at a low price appealed to both low-end, price-sensitive customers and new customers who could not previously afford to buy a car. Incumbent firms may have more difficulty responding to new-market disruptions because the product or service does not target their core customers. Leaders with experience exploring new markets and value propositions are better at introducing innovations that prove to be disruptive (Sandström, Berglund, & Magnusson, 2014). Either way, disruptive innovations eventually enter the mainstream market and challenge incumbent firms.

Emerging economies are increasingly attractive places for introducing disruptive innovations. Because these economies have customers with limited disposable incomes, disruptive firms are forced to be innovative to penetrate these markets. The result is lower prices and increased value for money (Wan et al., 2015). Emerging economies also make it easier to launch, test, and improve disruptive innovations more quickly and at a lower cost than in developed markets (Corsi & Di Minin, 2014). New products launched in

emerging economies are likely to disrupt developed markets by penetrating the low-end segments of the developed markets.

Other tenets and arguments surrounding the theory. Disruptive innovation theory may be used broadly. Products as well as novel services, business models (Christensen et al., 2015), and systems (Wan et al., 2015) can be disruptive. The three categories of disruptive innovation include technological, business model, and radical product innovations (Chulu, 2015; Vriens & Søilen, 2014; Wan et al., 2015). Technological innovations simplify or routinize the solution to problems. Business model innovations involve a change in the value proposition based on a new technology. Radical product innovations are products that are new to the world that drastically alter consumer behaviors and habits. These three types of innovations emerge differently, compete in varied ways, and require incumbent managers to respond accordingly.

Managers enable disruptive innovation through their allocation of resources in the company, organizational structure, value networks, and culture. How managers allocate resources in a firm influences its capacity to be disruptive or respond to disruption (Wan et al., 2015). Managers in incumbent firms tend to favor investing in sustaining innovations (Christensen, 1997), while leaders in disruptive firms tend to invest in radical innovations (Wan et al., 2015). Organizational structure and the size of the business influence the success of the disruptive innovation (Wan et al., 2015). Managers in smaller firms or business units have more flexibility to promote disruptive innovations than managers in larger companies. Selling in the low-end of the market or creating a new market as disruptors requires investment in different value networks. The value network

of the business is the commercial infrastructure consisting of suppliers, vendors, producers, and service providers who help produce, market, and sell its products or services (Vriens & Søilen, 2014). The attitudes and beliefs shared by members of the organization may stimulate innovation and keep the firm ahead of the competition (Wan et al., 2015). This same organizational culture can stifle innovation if members resist change even when they know the organization needs to transform. The managers, organizational structure, value networks, and culture must promote disruptive innovation.

Not all innovations are disruptive; disruptiveness depends on the familiarity of the organization with the functionality, technical standards, or ownership of the innovation. Reinhardt and Gurtner (2015) suggested that because disruption describes the potential rather than actual outcome of an innovation, some disruptive innovations—as Christensen (1997) defined them—may not be disruptive. Innovations that do not fall in the category of disruptive as Christensen defined them could still disrupt businesses and industries. Leaders familiar with the functionality, technical standards, or ownership of the innovation would consider the innovation as sustaining while firms where the managers are unfamiliar with these characteristics may be facing disruption.

Despite the wide acceptance of the theory of disruptive innovation, the underpinnings of the theory deserve further examination. Weeks (2015) diagnosed three problems in the theory of disruptive innovation. One such problem is a lack of a definition of the term *disruptive innovation* that delineates adequate boundaries (Nagy et al., 2016). The other two problems include a failure to identify and maintain a consistent unit of analysis, and a failure to account adequately for managerial response to disruptive

innovations (Weeks, 2015). Weeks suggested solutions to these issues and how scholars might advance research on disruptive innovation. The first step would be to narrow the definition of disruptive innovation (Nagy et al., 2016). The concept of disruptive innovation should be limited to instances where the innovation is less expensive, lower performing, and targeted to a subset of the existing market or a new market. Once researchers tighten the definition of disruptive innovation, it becomes easier for scholars to examine biases in research on the topic (Weeks, 2015).

Further, according to Weeks (2015), Christensen (1997) was inconsistent in the unit of analysis, varying between or conflating firm leaders, companies, business models, the innovation, and the industry. This variation makes understanding disruptive innovation difficult (Weeks, 2015). Researchers should identify and be consistent with the unit of analysis in designing the framework for their study. Scholars should engage in further research with business owners and managers to examine their response in disruptive environments for more empirical evidence.

Responding to disruptive innovation. Recognizing disruptive innovations before they disrupt a business or industry is critical for any firm. This position is only possible when managers gather *disruptive intelligence*, information about actual or potential disruptive innovations (Vriens & Søilen, 2014). Managers should gather information on whether disruptions are possible in the industry or business, whether the industry is already facing disruption, and whether there are any systematic barriers to discovering disruptive intelligence. Disruptive intelligence allows managers to protect the firm adequately and react to a disruption. Disruptive intelligence also helps managers

understand what they might expect when they enter the market with a potentially disruptive innovation.

There are several indicators that a market is disruption-prone. These indicators include the degree to which (a) a business has expensive or inaccessible products and services, (b) current products or services do not completely meet the needs of customers, and (c) customers are over-served, or there is saturation of the dominant product characteristic (Vriens & Søilen, 2014). Business leaders can determine that a disruption is already ongoing by the number of start-up companies emerging. Incumbent firms' expansion into the innovation is another indication that a disruption is ongoing. Managers can also consider whether sales patterns follow those of disruptive innovations, whether incumbent firms are losing customers from the low end of the market, or whether the value networks or business models are changing. Either way, managers need to innovate and not imitate competitors by gathering disruptive intelligence.

If a business manager is not actively trying to gather disruptive intelligence, the manager may be suffering from myopia. Other indicators of disruptive blindness include a bias toward sustaining innovations over new product concepts; a dismissive attitude of managers toward losing low-end customers; and a complacent attitude regarding the high levels of business success (Vriens & Søilen, 2014). The lack of an infrastructure to produce disruptive intelligence is another indicator of disruptive blindness (Vriens & Søilen, 2014). Without knowledge of disruptive innovations and their drivers, managers will tend not to pursue or react appropriately to disruptive innovations.

With knowledge of a potentially disruptive innovation, managers can compare a firm's existing technologies with a disruptive innovation and can determine the possible effects of the innovation on the organization. Nagy et al. (2016) mentioned that using a three-step process can further aid to predict how an innovation may disrupt an organization. The first step would be to identify the innovation and its characteristics. The second step would be to identify at what point in an organization's value chain the organization can use the innovation. The final step would be to compare the technical standards, functionality, and ownership of the existing technology with that of the potentially disruptive technology at the point in the value chain the business uses the technology. If an innovation differs from existing technologies by one or more of these characteristics, that innovation has the potential to be disruptive. The point in the value chain (primary versus secondary activities) at which the organization uses the technology can also have an effect on the magnitude of the potential disruption and how incumbents respond (Nagy et al., 2016).

Incumbent firms facing disruptive innovations can respond by adopting one of three strategies. These strategies include join them, beat them, or wait them out (Gans, 2016). With the join them strategy, rather than aggressively competing with entrants, established firms wait to see whether the new technology will take off. If the technology is successful, incumbents may acquire the entrant company. Alternatively, in the beat them strategy, incumbents act to protect their market position by aggressively investing in the new technology to provide an improved version to customers. Established firms may have competitive advantages or complementary assets that buy them time to react to

the entrants' new technologies. Leaders may wait before reacting in the wait them out strategy. Gans (2016) warned that incumbent firms cannot wait too long before responding as the technology is improving while they wait. Entrants may eventually become too powerful to beat or too expensive to acquire.

Some disruptive innovations succeed while others do not, but established firms should not overreact when facing disruption. Success is not a characteristic of disruption (Wan et al., 2015). When facing disruption, incumbents should seek to invest in sustaining innovations, strengthen relationships with priority customers, and pursue the disruption in a separate business unit (Bergek et al., 2013; Christensen et al., 2015; Corsi & Di Minin, 2014; Wan et al., 2015). Autonomous units can help organizations create new processes and systems that disruptive innovations may require. Aligning the size of the investment with the market size enables the autonomous unit to be profitable potentially. While leaders should not overreact when facing disruption, ensuring the management approach is appropriate is also critical.

Disruptive innovations require a specific management approach to be successful. In the separate business units, managers should closely coordinate and monitor the various aspects of product, platform, and market scale-up (von Pechmann et al., 2015). Leaders should also experiment and implement pilot systems that will encourage learning across the organization during the innovation process (Denning, 2016; von Pechmann et al., 2015). Managers of established firms should seek to unlearn core values that impede innovation or exchange their dominant logic for a novel logic (Wan et al., 2015). Successful incumbents facing disruption typically have developed the critical

competency of unlearning that helps to remove mental models that act as barriers to innovation. Leaders of companies facing disruption can apply the same principles and management approaches.

With these barriers removed, managers can focus on continuous innovation that creates value rather than short-term profitability. The priority for business owners managing disruption becomes whether the customer is excited about the products or services (Denning, 2016). Profit is a result, not a goal of innovation (Denning, 2016). Sometimes, rather than being disrupted by rivals, managers with this mental model—focusing on profit—have caused their companies to be disrupted. This mental model helps to keep incumbent firms ahead of the game. Continuous innovation will require new ways of thinking, different roles for managers, a change in values, and new ways of communicating as was evidenced in the music recording industry.

Applying the theory of disruptive innovation to the music recording industry. The music recording industry started with the invention of the phonograph by Thomas Edison in 1877 (Nokelainen & Dedehayir, 2015). For the first time, sounds could be recorded, reproduced, and played on a device (Moyon & Lecocq, 2014; Nokelainen & Dedehayir, 2015). The industry has since experienced a slew of technological changes affecting the way recorded music is produced, distributed, promoted, and consumed. One major technological change was radio broadcasting that emerged in the 1920s in the United States (Moreau, 2013). During that time, five major companies dominated the music recording industry—Universal Music, Warner Music, EMI (Electric and Musical Industries), Sony Music, and BMG (Bertelsmann Music Group) initially (Moreau, 2013).

These companies were responsible for discovering new talent, organizing recording sessions, and coordinating manufacturers who would produce the songs or albums. The companies, known as labels, would also promote and distribute the music via multiple channels.

Another technological change during the 1920s was the reproduction of music on vinyl discs making music portable (Moreau, 2013). This format affected the packaging of music, but not its distribution and promotion. The format required a large distribution network that only the major labels could afford. This competitive advantage allowed the major record labels to maintain their oligopolistic power of the market.

The next major technological change occurred in the 1950s. During the 1950s, the advent of magnetic tape recording gave rise to increasing competition (Moreau, 2013). New small independent record companies (indies) established studios that recorded music at an affordable cost challenging the position of incumbent firms (Moreau, 2013). Television broadcasting commenced which affected the dominant business model. Because the performance of these new technologies were not yet determined at that point, the major firms were slow to adapt their strategies to the emerging trends, and the industry continued to evolve.

Philips and Sony introduced the audio cassette and Walkman respectively in the 1960s to 1980s as consumers demanded more music portability and customization (Ordanini & Nunes, 2016). The advent of digital technology led to decreasing costs of recorded music and the introduction of the compact disc (CD) (Ordanini & Nunes, 2016). The music distribution model of the major firms was not challenged with the introduction

of CDs and the mainstream market quickly adopted the format fully, displacing vinyl and audio cassettes.

The technological revolution quickly followed with information and communications technology (ICT). The Internet, in particular, created a wave of digital disruption. Each innovation such as the phonograph, radio, and audio cassette was disruptive, but none more disruptive than digitization. Digitization, the process of converting data from analog to digital formats (Bleicher & Stanley, 2016), changed the creation, promotion, distribution, and consumption of recorded music (Bazen, Bouvard, & Zimmermann, 2015). For the mainstream market, digital technology as the disruptive innovation initially underperformed its predecessor, the CD. With CDs, consumers got protective packaging, lyrics, notes, photos, and a higher quality sound which digital files did not provide. The first portable MP3 player could only store up to 60 minutes of music compared to CDs that held up to 75 minutes of music on average. Although digital technology provided new performance features related to convenience, mobility, price, and function, digital files were not of interest to the mainstream market at inception. Digital files entered the market at the time when dial-up connection made downloading songs slow and time-consuming.

Further innovations in the industry ushered in peer-to-peer file sharing—distributing digital files via networking technology—and the beginning of illegal downloading and piracy (Myrthianos et al., 2014). Napster, the pioneering peer-to-peer online file sharing service provider, appeared at the low-end of the market in 1999 (Kurtzman, 2016). At that time, peer-to-peer file sharing appealed to students who had

access to broadband connections through their universities (Moreau, 2013). Broadband Internet connection significantly reduced the download time and allowed users to share files with their peers. New artists seeking to boost their reputation by making their music available to consumers online also found digital file sharing appealing, increasing the popularity of digital media.

Incumbent firms who possessed the capabilities to respond to peer-to-peer file sharing chose not to adapt. Instead, they decided to engage in legal battles with Napster for copyright infringement (Kurtzman, 2016). While the industry leaders won the lawsuits against Napster, the innovation changed the industry forever. MP3 files and other digital media were much easier and cheaper to produce than CDs. Production of recorded music also became less costly. Advances in technology allowed producers to record music on computers using specialized software rather than at recording studios (Aguiar & Waldfogel, 2016; Gateau, 2014). Self-production became accessible to everyone (Bazen et al., 2015), igniting an increase in the number of indies. Consumers' demands for music portability at lower prices remained, and other networks emerged. Subsequently, the fast growth in broadband Internet access and portable MP3 players transformed online music from a niche market to a market of interest to mainstream consumers (Osorio-Gallego, Londoño-Metaute, & López-Zapata, 2016).

By the late 1990s, retail of online music became legitimate, leading to the creation of new supply chain linkages (Ordanini & Nunes, 2016). Apple iTunes and other similar channels emerged with Apple soon dominating the market for MP3 players (Ordanini &

Nunes, 2016; Peng & Sanderson, 2014). The changing market conditions also led to the need for intellectual property rights regulation particularly for streaming services.

Although music downloads remain a significant source of digital revenues, streaming music business models have been on the rise. Streaming allows consumers to listen to music on demand via Internet technologies either free of charge and supported by advertising or based on a monthly subscription fee (Thomes, 2013). The digital music database Spotify, launched in Sweden in 2008, is the largest digital retailer in Europe with more than 10 million subscribers (Thomes, 2013; Wikhamn & Knights, 2016). Spotify negotiated agreements with the three major labels and has a catalog including more than 16 million songs (Wikhamn & Knights, 2016). Spotify is not the only streaming service provider. Services such as Deezer, Rdio, and Simfy have also appeared on the digital music scene leading to a radical shift in the distribution of revenues in the industry and the need for incumbent firms to innovate their business models to remain profitable.

Business Model Innovation

Amit and Zott (2015) defined a business model as a set of organizational structures implemented to maximize opportunities that arise in the market. Moyon and Lecocq (2014) described a business model as the way a firm operates to ensure its profitability. Despite definitional ambiguity, a business model is a system that creates and delivers value to customers in a way that business leaders can monetize (Baden-Fuller & Haefliger, 2013). A business model also relates to the firm's strategy to gain and sustain

competitive advantages (Bertels, Koen, & Elsum, 2015; Gamble, Brennan, & McAdam, 2017).

Four core components comprise a business model that taken together can capture and deliver value to customers. These elements include value proposition, profit formula, key resources, and new processes. Value proposition refers to the value offered to customers either through the firm's products and services, offering a solution to a problem, or linking customers' demand with supply (Vriens & Søilen, 2014). The other elements of a business model hinge on the firm's value proposition. Profit formula relates to the way customers pay for the product or service, as well as the drivers of profit and costs in the business (Amit & Zott, 2014; Vriens & Søilen, 2014). Three classes of profit generation formulas exist including fixed rate, fee-for-service, and membership fee. Vriens and Søilen (2014) and Pellikka and Malinen (2014) noted that the suitability of a profit formula is dependent on the type of value proposition the company offers. Key resources are those that the business owner employs to carry out the firm's processes and deliver value proposition (Pellikka & Malinen, 2014; Vriens & Søilen, 2014). The processes element of a business model refers to the primary activities that the firm engages in to deliver value to customers (Pellikka & Malinen, 2014; Vriens & Søilen, 2014).

Three other important aspects of the business model are value creation, value delivery, and value capture. Value creation refers to identifying the customers and their needs (Baden-Fuller & Haefliger, 2013; Rayna & Striukova, 2016). Value delivery involves delivering value to customers through distribution channels (Baden-Fuller &

Haefliger, 2013; Rayna & Striukova, 2016). Value capture refers to how companies monetize or benefit from the value they create (Baden-Fuller & Haefliger, 2013; Rayna & Striukova, 2016). Another business model aspect of importance is value communication or how firms communicate the value their products and services offer to customers and partners. These four aspects of business models taken together influence the success of disruptive innovations.

Business models are important in innovation whether they are the innovation themselves or act as the vehicles for it. Technological innovation by itself does not guarantee performance, but business models must be used to facilitate the success of technological advances (Hu & Chen, 2016). An analysis of many industries experiencing disruption indicated that disruptive innovation is a business model challenge rather than a technology problem requiring a change in the firm's value proposition (Christensen 1997; Karimi & Walter, 2016; Sandström et al., 2014).

Disruptive innovations always require a change in the firm's value proposition and a change in the business model. Habtay (2012) and Pellikka and Malinen (2014) argued that the starting point of BMI is discovering viable customer value propositions. Following this change in the value proposition, the company needs to align its profit formula, processes, and resources to fit the new value proposition (Vriens & Søilen, 2014). Leaders also should identify a viable customer segment to offer these new value propositions and configure their value networks to deliver their offerings. Once these elements are implemented, BMI can occur.

BMI involves replacing the old business model with a new one to offer novel products or services. BMI is a significant deviation from the established products, services, or production processes in an industry (Brannon & Wiklund, 2016; Karimi & Walter, 2016) to a new system of value creation and capture (Bouncken & Fredrich, 2016). Managers need to adjust any of the business model characteristics quickly and at minimal cost when innovating business models (Wan et al., 2015). Heij, Volberda, and Van den Bosch (2014) purported that BMI refers to a change in the components of the business model as well as combining those components in different ways. BMI can consist of adding new activities, integrating activities in new ways, or altering which value chain participant performs an activity (Bolton & Hannon, 2016). Either way BMI involves replacing the old business model for a new way of operating.

The degree of BMI can be either incremental or radical. Incremental BMI involves minor changes to the existing business model's value proposition and methods of value creation and capture, while radical BMI refers to major changes to these elements (Souto, 2015; Velu, 2016). Radical BMI enables the leader of a firm to redefine the industry. García-Gutiérrez and Martínez-Borreguero (2016) offered two classifications of BMI—business model reconfiguration and business model design. Business model reconfiguration refers to modifying the existing business model (García-Gutiérrez & Martínez-Borreguero, 2016; Heij et al., 2014), while business model design corresponds to the design of a novel business model for a newly formed company (García-Gutiérrez & Martínez-Borreguero, 2016). While BMI can be either incremental or radical, managers can focus on strategy for BMI.

Strategic BMI may be of two types—efficiency-centered and novelty-centered business model design. An efficiency-centered business model aims at reducing costs for participants in the entire value chain, while a novelty-centered business model refers to developing new ways of conducting transactions among value chain participants (Hu, 2014). These two designs may coexist in a specific business model. Managers would need to determine which type of BMI works best for the business given their competencies.

BMI links to performance advantages. Both business model reconfiguration and design have a positive effect on firm performance (Brannon & Wiklund, 2016; Foss & Saebi, 2017; Heij et al., 2014). Environmental dynamism is a key factor to determine the effects of BMI on firm performance. Environmental dynamism strengthens the relationship between business model design and firm performance but weakens the link between business model reconfiguration and firm performance. Bouncken and Fredrich (2016) offered that BMI also has a direct positive relation to return on equity. Innovating a business model can lead to improved firm performance.

The success of new business models forces incumbent firms to respond to remain competitive. A conflict arises because the profit margins associated with the new business models are often lower than the old models making business leaders hesitant to adopt the new business models (Karimi & Walter, 2016). Managers often face the challenge of deciding whether to compete in dual ways in the same industry or operate using either of the business models. Competing in dual ways runs the risks of damaging a firm's current business, cannibalizing the existing customer base, and alienating its

stakeholders. Incumbent firms resort to either lowering prices, gradually improving existing products, or introducing new products to combat this decline in sales and profitability. While these strategies may trigger sales initially, in mature markets, these approaches eventually yield diminishing returns (Bereznoi, 2014).

Managers should decide which business model will bring the company the greatest benefit in the long-term. Markides (2013) suggested if firms mix business models, they may not experience the success that focusing separately on a potentially disruptive innovation can bring. Friedrich von den Eichen, Freiling, and Matzler (2015) added that while BMI is important, many attempts fail because BMI is complex and difficult to achieve (Christensen, Bartman, & van Bever, 2016). Many managers do not understand the stages of business model development to make key decisions about new business models leading to failure. The nature of the innovation, as well as a lack of applicable tools and frameworks for supporting BMI may contribute to its failure.

Business model innovation in the music recording industry. Three types of business models in the music recording industry include participative, distribution, and editorial models (Lyubareva, Benghozi, & Fidele, 2014). In the participative model, users contribute to value creation and can exploit content in multiple ways. Advertising and sponsoring generate revenue, and artistic works are also free in this model. A distribution model uses multiple distribution channels including the Internet. This model involves targeting specific market segments, so no advertising is used nor do users generate content. While some content is free, business owners use different means to generate revenue inclusive of sponsors and public funding (Lyubareva et al., 2014). The editorial

business model involves very limited free content, but rather all material is to generate revenue. In this model, firms sell content in physical standards, rent digital formats, and implement mechanisms to restrict use (Lyubareva et al., 2014).

Some companies combine the characteristics of the different models to create the most suitable model for their business. This combination gives way to a multiplicity of business models in the music recording industry (Bustinza, Vendrell-Herrero, Parry, & Myrthianos, 2013). Some of these new business models successfully coexist with the traditional dominant models in the same market segments. The traditional model in the music recording industry consisted of producers who discovered new talents and organized recording sessions; manufacturers who produced physical products; and promoters, distributors, and media outlets that promoted records. Despite changes in the technology such as vinyl records and the CD, the music recording industry's business model including its value proposition remained the same (Moreau, 2013; Moyon & Lecocq, 2014).

Historically, the industry's value proposition was simple with a single product (records) and one revenue source (consumers). Resources and competencies were related to creativity (Moyon & Lecocq, 2014). Original recordings or masters as an important resource provided music recording companies with the ability to create value for profit. Artists would arrange and perform music which the major labels would produce and market. These musical pieces were copyrighted giving artists the exclusive rights to reproduce the music or perform it publicly. Copyright also acted as an asset for artists who used their copyrights as advanced payment to record labels to produce their work.

The labels may anticipate generating enough revenue to cover the costs of production and marketing with the copyrighted work (Wogsland & Hall, 2011). Marketing was straightforward with standard media and limited distribution channels. Manufacturers would reproduce the singles or albums and distributors would capture value by selling these physical formats to retailers. Much of the dynamics in the value chain changed with the introduction of digitization.

Digitization had several effects on the music recording industry. With the shift in technology, recorded music became easier to reproduce without permission (piracy), threatening the traditional business model (Waldfogel, 2012). Digitization and the Internet have led to a decrease in distribution costs and an increase in piracy (Bustinza et al., 2013; Cameron & Bazelon, 2013). These changes have diminished the economic rewards afforded by copyright leading to radical shifts in the supply chain. Consequently, the industry experienced a decline in sales. Operators had to reorganize their value networks and rethink their business models. Incorporating digitization into the business model can lead to success.

Incorporating digitization requires new ways of capturing value including new revenue models. In response to piracy in the music recording industry, incumbent firms concentrated on protecting the traditional business model that revolved around the manufacture, sale, and ownership of physical property (Bleicher & Stanley, 2016; Bottomley, 2015; Rayna & Striukova, 2016). This strategy required strict copyright and policing efforts resulting in industry players advocating for better copyright protection.

Copyright protection takes two forms and has various effects. These types include technological constraints on the user such as digital rights management (DRM), or legislative instruments with punitive measures (Bustinza et al., 2013). DRM prevents or complicates unauthorized copying by inserting a technological barrier into the hardware or software used to play the music (Cameron & Bazelon, 2013). This technological fix adds costs to the supply chain. Legal purchasers are most often at a disadvantage from use restrictions than illegal users. DRM is less effective in preventing piracy compared to the more effective approach of legislative reforms. With legislative reforms, only those who have violated copyright law are penalized for such.

Another approach the incumbent companies have used is a compulsory blanket license. With a compulsory blanket license, industry players accept personal copying as inevitable (Cameron & Bazelon, 2013); creators of music receive compensation through a levy on equipment and devices used to copy and play music or on internet connections. The royalties collected could be distributed based on the volume of copyrighted works. Again, the user is at the disadvantage because the copyrights enforcers charge consumers regardless of their level of music consumption.

Several other changes to the industry's business model occurred that threatened the sustainability of the industry. While creative content is still a critical component of the music recording industry's business model (Moyon & Lecocq, 2014), the industry's value proposition changed from a single product to unbundled music or individual digital tracks (Bustinza et al., 2013). Profit formula included multiple revenue streams such as royalties, licenses, and retail sales (Kurtzman, 2016). The way consumers interacted with

music altered significantly. Music creation became more consumer-centric with consumers playing a critical role to create meaning and value in the music recording industry (Choi & Burnes, 2016). Consumers can act as investors through crowdfunding platforms. Music fans may perform the role of vigilante marketers or promoters through peer-to-peer sharing on social media sites. Consumers may act as creative partners or prosumers where fans provide music lyrics and videos that the artists develop and perform. Consumers can also openly discuss recorded music and share opinions of music products through social networking channels. Failure to innovate with all these changes occurring can lead to the demise of key industry players.

Failure to innovate can also lead to the emergence of innovative business models for others. Customers' preference for unbundled music threatened the survival of specialty stores such as Virgin Megastore that controlled the retail of music historically (Moyon & Lecocq, 2014). In response, the music labels decided to take advantage of vertical integration opportunities. The labels bought several e-businesses with competencies in web technologies that would serve as their new digital music platforms. New revenue models emerged as a result.

Operators in the music recording industry developed novel revenue models to offer consumers more flexibility. Gamble et al. (2017) suggested that new industry business models should feature lower price margins, a restructured value chain, cooperative arrangements that focus on the youth, and a sustainable revenue stream. The new models included pay-per-view, subscription, and unlimited access. Streaming service providers earn revenue either by charging a monthly subscription fee to consumers or by

offering consumers access to music catalogs free of charge and, instead, rely on advertising to generate revenue.

One example of creating and delivering value to customers by allowing them ubiquitous access to music via their mobile devices is Spotify. Spotify's BMI included modifications to the industry's value creation, delivery, and capture elements of the business model (Rayna & Striukova, 2016). Value capture for Spotify came through offering unlimited access to its music catalogs and relying on advertising to generate revenue (Moreau, 2013; Moyon & Lecocq, 2014). The major labels were hesitant to adopt a business model based on unlimited access to music particularly given the low streaming rates. The labels feared a collapse of their physical distribution network and obsolescence of their traditional retailers.

Scholars and industry practitioners are not certain whether streaming services benefit or harm the music recording industry. While streaming services generate income, they also can potentially cannibalize other revenue streams or distribution channels (Wlömert & Papies, 2016). Wlömert and Papies found that on average, consumers who subscribe to streaming services purchase significantly less recorded music particularly if they are paying for the subscription. In this case, paid streaming services cannibalize demand from other distribution channels but increase music recording industry revenues. This effect led the major labels to innovate their business models to combat revenue losses.

The industry players had to rethink their business models to remain profitable. Incumbent firms began outsourcing some of their functions. The labels also restructured

their activities to focus solely on artists and repertoire (A&R), production, and marketing (Gateau, 2014). Technological innovations provided the labels with the opportunity to perform some of those activities online to reduce costs (Moyon & Lecocq, 2014). The Internet also led to an increase in the amount of music available to consumers online including backlists or older lists. (In the past, the labels focused on promoting new releases). Competition with free models such as Spotify did not provide much profit from these business models for the labels. The industry players had to rethink their business models again to survive.

Other BMIs included the development of strategic partnerships with companies based on complementarities with innovations in the field of electronics, telecommunications, and ICT. This type of BMI allowed larger firms with more resources and younger companies with more flexibility to capture more value than smaller and older firms (Bouncken & Fredrich, 2016). New strategies included extending value networks, bundling value propositions, and validating new resources and competencies (Moyon & Lecocq, 2014).

Extending value networks involve developing strategic partnerships with companies outside the industry’s original boundaries to create alternative sources of value for customers. For instance, once digital music became available, operators in the industry formed partnerships with telecommunications providers to offer on-demand music (Moyon & Lecocq, 2014). Similarly, music industry operators partnered with the gaming industry to sell music content on gaming platforms. These partnerships created additional income streams for the music recording industry but did not necessarily equate

to more profits. Because margins on digital music were slim, operators turned to bundling value propositions that allowed labels to share in the revenue generated from complementary products and services such as digital music players, Internet services, and the artists themselves.

Music content and the customer's needs changed after bundling forcing industry players to validate new resources and competencies. In 2007, the major labels introduced the full rights deal or 360-degree contracts to capture revenue from all the artists' activities (Cameron & Bazelon, 2013). Traditionally, artists kept all revenues generated from alternative revenue streams such as concerts, endorsements, and merchandising. Under the 360-degree contracts, record labels receive a percent of artists' revenues from all other revenue streams in exchange for marketing up front. The labels also integrated with companies that allowed them access to infrastructures and competencies that could create additional revenue streams such as touring and merchandising companies. These new strategies required different resources and competencies as the focus shifted from the production of records to an artist-oriented business. These strategies also challenged the organizational dimension and value proposition of the industry forcing industry players to adapt to BMI.

Adapting to business model innovation. Understanding business models and BMI is critical to business success and even survival. In a competitive environment, managers implementing BMI need to remain strategically flexible to survive (Schneider & Spieth, 2014). Business leaders should first evaluate whether a BMI they are considering aligns with the current priorities of their existing business model. This

determination influences later decisions regarding BMI including resources and processes needed to support the BMI. How digitization affects BMI is also an important consideration. BMI becomes more valuable when it incorporates digitization that facilitates managerial decision-making processes and transformation of digital trends into innovative and profitable business practices (Bleicher & Stanley, 2016). Managers can incorporate digitization in their business models in a three-step process: understand the business model, identify the digital innovation drivers, and use a structured path to exploit the strategic potential of digitization (Bleicher & Stanley, 2016).

Barriers to implementing successful BMI exist that must be addressed. One barrier to successful BMI is narrow thinking patterns and analysis (Baden-Fuller & Haefliger, 2013). Another barrier is overlooking segments of the market while focusing on core customers (Baden-Fuller & Haefliger, 2013). To overcome these barriers, managers should question or challenge the status quo to expand their innovation awareness. Managers should also recognize the value of involving other stakeholders in the design of the new business model. Open innovation and networking with customers and other value chain stakeholders can help to understand other market segments. Regardless of the manager's efforts to overcome these barriers, over time, business models become more resistant to change (Bolton & Hannon, 2016).

Leaders should seek to invest in experimenting with new business models as well as to determine the most effective experimentation path. Managers should adopt BMI incrementally, testing the innovation and redefining business model elements as necessary (Afandi & Kermani, 2014; Friedrich von den Eichen et al., 2015). Larger firms

with more resources can invest in experimentation more readily than smaller companies with fewer resources. Leaders should encourage experimentation and stimulate innovation in their organizations.

Sometimes BMI does not follow any logic in value creation and delivery; this dilemma creates another barrier to successful BMI. Managers need to think holistically about creating and delivering customer value and seek to understand BMI systemically to overcome this challenge (Foss & Saebi, 2017; Friedrich von den Eichen et al., 2015). System-related barriers such as bureaucratic organizational structures and processes can inhibit successful BMI. As in disruptive innovation theory, organizational culture also acts as a barrier to successful BMI and may require the establishment of autonomous units to launch the BMI successfully.

Several ways of adapting to BMI in the digital era and overcoming system-related barriers exist. Recorded music vendors can demonstrate their value proposition to customers by differentiating their offerings (Bustinza et al., 2013). Music vendors can also seek to expand their markets by engaging non-participants of digital music (Bustinza et al., 2013). Because trends indicate that consumers prefer streaming services, retailers who operate a purchase-based business model (downloaded music) should diversify into streaming services (Wlömert & Papies, 2016). Artists can consider negotiating contracts that reflect revenues from streaming services (Wlömert & Papies, 2016).

Record labels should focus more on paid streaming than on free streaming. The net impact of free streaming services on industry revenues is negative (Thomes, 2013). If users are tolerant of commercials, then the streaming service provider can offer both

streaming models but charge a high monthly subscription fee for the paid-service. This approach would drive up demand for the free service leading to increased revenues from advertising. If advertisers are not keen on using music streaming platforms, flat-rate fee services would be more profitable (Thomes, 2013). These models also help combat digital piracy. Users can access the music at a cost to the advertiser or pay for the service which can be used to compensate music rights holders.

In the new industry landscape, customers expect music to be portable and accessible even across various platforms. The ability to search for titles is important to customers (Thomes, 2013). Streaming service providers should facilitate an innovative search experience as well as recommend music for consumers to be successful. Customers are willing to purchase product extensions such as ringtones, personalized playlists, and music on social media sites. Because demand for these peripherals is increasing, music companies can offer these services to reap rewards (Bhattacharjee, Gopal, Marsden, & Sankaranarayanan, 2009). Managers of incumbent firms should also consider implementing co-creational marketing strategies where consumers are involved in the marketing process.

Marketing strategies involving consumers can help reverse the trend of decreasing sales. Managers must determine how to interact with consumers effectively, which aspects of the marketing process they will retain control over, and how to establish links between the different marketing typologies (Gamble & Gilmore, 2013). The adoption of consumer involvement in this era regarding value, and identifying and connecting with

the artist may help sustain record label sales. Combining the practice of file-sharing with viral marketing may also generate sustainable income for the record labels.

Every business leader needs to rethink and redesign their business models periodically as technology advances and customer preferences change. Amit and Zott (2014) noted that when examined from a process angle, BMI is a dynamic capability. Firms with high dynamic capabilities are able to adapt to BMI better while those with moderate to low dynamic capabilities display low levels of adaptive BMI (Ricciardi, Zardini, & Rossignoli, 2016). The concept of dynamic capabilities is a useful theoretical construct for understanding competition.

Dynamic Capabilities

Two categories of organizational capabilities exist: ordinary and dynamic. Ordinary capabilities are the patterned and repeatable activities the firm engages in to use its resources to produce or deliver products or services (Ellonen, Jantunen, & Johansson, 2015). Dynamic capabilities relate to higher-level activities (Teece, Pisano, & Shuen, 1997). Dynamic capabilities differ from ordinary capabilities because dynamic capabilities focus on change management while ordinary capabilities allow the firm to perform its administrative, operational, and governance functions. Despite opposing circumstances, firms can harness ordinary capabilities to produce positive outcomes including firm performance.

Managers can transform the firm’s ordinary capabilities into dynamic capabilities. Dynamic capabilities control the rate ordinary capabilities turn into dynamic capabilities (Karimi & Walter, 2015; Mikalef & Pateli, 2017). Breznik and Lahovnik (2016)

highlighted six firm ordinary capabilities including managerial, marketing, technological, research and development (R&D), innovation, and human resource capabilities. Managerial capabilities involve management's role in reconfiguring the firm's resource base (Breznik & Lahovnik, 2016). Marketing capabilities refer to the company's ability to sustain a competitive advantage by addressing changes in the environment through its marketing knowledge and activities (Breznik & Lahovnik, 2016). Technological and R&D capabilities link closely and refer to the firm's ability to exploit knowledge to generate innovation (Breznik & Lahovnik, 2016). Innovation capabilities represent the company's ability to acquire new knowledge and exploit it to take advantage of new opportunities (Breznik & Lahovnik, 2016). Human resource capability is another source of competitive advantage. The business needs to be capable of recruiting individuals best suited for the environment in which the company competes rather than the best performer in their field (Breznik & Lahovnik, 2016). These capabilities often form the foundation of dynamic capabilities.

Dynamic capabilities govern other organizational activities. These capabilities allow managers to differentiate the company's products and services leading to market positioning and profit maximization. These capabilities also help companies penetrate new product and geographic markets (Bingham, Heimeriks, Schijven, & Gates, 2015). Managers can also use dynamic capabilities to reduce costs associated with production, quality enhancement, or revenue generation (Mikalef & Pateli, 2017). Coupling the firm's unique resources with its dynamic capabilities and strategy can result in a competitive advantage (Cyfert & Krzakiewicz, 2016; Karimi & Walter, 2015; Singh &

Rao, 2016; Teece, 2014). Strong dynamic capabilities help managers to build the firm's resources internally and externally. These strong dynamic capabilities come in three classes and allow companies to challenge competitors.

The three classes of dynamic capabilities include sensing, seizing, and transforming. Sensing capability refers to business leaders' ability to continuously scan their internal and external environments to identify new business opportunities (Roberts, Campbell, & Vijayasarathy, 2016). Seizing involves mobilizing resources to take advantage of the business opportunities identified in the sensing stage (Teece, 2014). Seizing also requires the ability to recognize the value and potential in the opportunity including selecting the right technology or target market (Breznik & Lahovnik, 2016; Teece, 2014). Once leaders have sensed and seized opportunities, transforming capability allows the managers to recombine and redeploy the firm's resources to address the changes in the environment (Lambrou, 2016). This type of reconfiguration usually involves business model redesign (Breznik & Lahovnik, 2016). Several factors influence the impact of dynamic capabilities on firm success.

Organizational age and size for instance influence the impact of dynamic capabilities on performance. Arend (2014) proposed that younger firms (5 years old or younger) with dynamic capabilities realize greater performance benefits than smaller companies. Smaller firms do not have the same advantages from dynamic capabilities as larger firms for several reasons (Arend, 2014). Larger businesses (firms with 200 or more employees) enjoy scale and scope economies that smaller companies do not, given their size. Alves, Salvini, Bansi, Neto, and Galina (2016) argued that both large firms and

SMEs can experience benefits from investing in building their dynamic capabilities. Arend (2014) suggested that younger firms should seek to build and use their dynamic capabilities early while small firms should focus on product differentiation as dynamic capabilities lead less to firm performance in SMEs. While age and size influence the impact of dynamic capabilities, the management system is also a factor to consider.

Shaping dynamic capabilities. As globalization and competition increase and new forms of technology arise, firms must develop their dynamic capabilities. Managers need to sense opportunities and threats, effectively seize those opportunities, and continually reconfigure the company's assets to thrive under conditions of change (Mudalige, Ismail, & Malek, 2016). Managers play a role in shaping dynamic capabilities. Building and maintaining dynamic capabilities require firms to create a management system that responds promptly to changes in the environment. Shaping dynamic capabilities is not a one-off activity where the firm responds to changes in its environment when they occur. Engaging in continuous sensing, seizing, and transforming is important if the firm is to compete successfully in a constantly changing environment.

Dynamic capabilities are interwoven such that ignoring a particular dynamic capability can negatively affect the deployment of the company's other dynamic capabilities. Firms that are more successful have a stronger commitment to deploying dynamic capabilities and vice versa (Breznik & Lahovnik, 2016). Developing dynamic capabilities is strongly dependent on learning (Schilke, 2016). Concurrently learning dynamic capabilities can help firms effectively grow, positioning them to modify their resource base better to respond to changes in the environment. Information technology

(IT) can enable an organization's dynamic capabilities particularly its sensing and seizing capabilities.

Business leaders can use IT to help identify market opportunities and take advantage of them. Strong IT capabilities can lead to direct or indirect performance gains (Lambrou, 2016; Mikalef & Pateli, 2017). IT can also drive innovation, foster network relationships, and provide organizations with organizational agility (Parida, Oghazi, & Cedergren, 2016; Roberts et al., 2016). Organizational agility is the ability to address unexpected changes in the business environment rapidly (Mikalef & Pateli, 2017). Leaders who can customize capabilities so that they can sense change and seize opportunities faster than competitors are likely to adapt and survive in a dynamic business environment. Managers who have spent time developing the organization's capabilities tend to be more resilient, flexible, and share knowledge with network partners (Day & Schoemaker, 2016; Felin & Powell, 2016). These attributes help companies adapt better to changes in the firm's external environment.

The use of dynamic capabilities is contingent on the external environment of a firm. When the external environment changes drastically, leaders may need to explore new business models and analyze their options as part of their seizing capability (Day & Schoemaker, 2016). When technological changes undermine a firm's current business model, peripheral vision and vigilant learning are essential sensing capabilities to nurture. The above factors also apply to the music recording industry.

Dynamic capabilities in the music recording industry. In the music recording industry, four types of capabilities are relevant for success. The capabilities that align

with the dynamic capabilities literature are managerial, input-based, transformation-based, and output-based (Huygens, Baden-Fuller, Van Den Bosch, & Volberda, 2001). Managerial capabilities involve search behavior to identify opportunities in the market. Incumbent record companies should develop capabilities to forecast market trends and needs and adopt technological innovations (Corsi & Di Minin, 2014).

Equally important as managerial capabilities are input-based capabilities. Input-based capabilities refer to the search behavior of managers to acquire and mobilize assets for production (Huygens et al., 2001). In the music recording industry, these include recording technologies, financial and technological knowledge, artists and performers, low-cost recording studios, acquired record labels, and multinational distribution networks (Huygens et al., 2001).

Transformation-based capabilities involve innovation and organizational learning; turning inputs into value for customers (Huygens et al., 2001). These capabilities manifested in the music recording industry in efficient manufacturing plants as well as separate recording and production abilities. Transformation-based capabilities also involve innovation in recording, manufacturing, and capacity-based production. Other transformation-based capabilities include avant-garde marketing campaigns, talent discovery and management, label autonomy in marketing artists, cooperation in the value chain, artist development (Huygens et al., 2001), and BMI (Bourreau, Gensollen, & Moreau, 2012).

Output-based capabilities refer to physical outputs and intangible assets that provide a competitive advantage (Huygens et al., 2001). In the music recording industry,

these include quality records and CDs, technology license agreements, international strategic alliances, and a large variety of recordings. These capabilities also refer to the industry's network of distribution channels, network of local radio contacts, label reputation, variety of musical genres, expanding record catalogs, network of deals with indies, and expanding distribution technologies (Huygens et al., 2001). Despite the presence of these capabilities in the music recording industry, challenges exist.

The challenge for leaders in the music recording industry facing disruptive innovation is to transform these ordinary capabilities into dynamic capabilities. A disruptive innovation creates capability gaps (Karimi & Walter, 2015). These gaps require incumbent firms to develop or acquire novel ways of configuring its assets and resources to respond to the new knowledge, organizational processes, or ways of creating value introduced by the disruptive innovation (Karimi & Walter, 2015; Lui, Ngai, & Lo, 2016). Dynamic capabilities are essential to respond to disruptive innovation and closing these gaps.

Managers can transform their companies in response to disruptive innovations by adapting their core business to the changes in the disrupted marketplace. Leaders can also establish an autonomous unit for the new business that leverages capabilities and shares resources with the core business. Three classes of resources are important for responding to digital disruption successfully (Karimi & Walter, 2015). These resources include financial and human resources as well as senior management support. Employees use financial resources to fund innovation projects that help to respond to digital disruption.

Human resources manage and drive the innovation process. For innovation projects to be successful, senior management needs to actively support and participate in these projects.

Incumbent firms should seek to build and sustain an innovation-supportive culture to respond to digital disruption successfully. Leaders should also develop a digital strategy and digital platform capabilities for incorporating digitization into their operations (Karimi & Walter, 2015). Digital platform capabilities provide standards and rules, allowing firms to produce and deliver digital content and connect with suppliers, consumers, and other digital platform users. Managers should allocate resources in building digital platform capabilities and determine whether their organizational processes are appropriate for creating digital products. Managers also should prioritize their reconfiguring capabilities as these will allow them to adapt to digitization.

Leaders who learn how to adapt to environmental changes help the business to survive and perform better. Conversely, firms are more likely to be sold or fail when leaders do not adapt to environmental changes (Lui et al., 2016; Vergne & Depeyre, 2016). Understanding how firms adapt to environmental changes is important to businesses (Vergne & Depeyre, 2016). Neither cognition (managerial attention) nor dynamic capabilities (asset reconfiguration) need to be present for firms to adapt. Instead, firms can adapt by anticipating the environmental change, being responsive, opportunistic, or decisive (Vergne & Depeyre, 2016). Understanding how individuals and firms adopt innovations is also essential.

Theory of Diffusion of Innovation

Innovation is essential for firms, but the implementation of innovations frequently fail. The theory of diffusion of innovation provides a useful framework for examining how individuals and companies adopt innovation (Byambaa, Janes, Takaro, & Corbett, 2015). Diffusion is a process where companies use various communications channels to introduce an innovation to society over time (Rogers, 1995). The theory of diffusion of innovation posited by Rogers in 1995 explains how these four elements (communication channels, the innovation, a social system, and time) interact with other factors to facilitate or hinder the adoption of a new product or service.

Diffusion is more of a communication process than a market one. If no one is aware of the value of a new product or service, no one will adopt it (Harvey, 2016). Marinova and Borza (2015) also contributed that for new ideas to succeed many people must adopt them. Business leaders should promote the new product or service to build awareness of the product or service. Some degree of uncertainty and perceived risks lie in the diffusion process because of the novelty of the innovation and the communicated message. Managers can reduce this asymmetry by gaining or sharing information about the innovation, thereby influencing the effective adoption of emerging innovations.

Innovation adoption. The innovation adoption process occurs through several steps. The process begins when a decision-maker comes to learn about an innovation and how it functions and forms an opinion about it (Rogers, 1995). The decision-maker either decides to adopt the innovation and implement it or reject the innovation (Rogers, 1995). Adoption is not a guarantee of successful implementation or continued use (Compagni,

Mele, & Ravasi, 2015). The decision-maker must confirm the decision about adopting and implementing the innovation, which is the final stage of this process (Rogers, 1995). Along with these steps, several attributes of the innovation influence the adopter's decision to adopt the innovation.

Five sets of attributes affect innovation adoption. These include attributes of the innovation, type of innovation-decision, communication channels, nature of the social system, and the extent of the promotion efforts (Rogers, 1995). Regarding attributes of the innovation, an individual's perceptions of these characteristics determine the innovation's rate of adoption. These attributes are relative advantage, compatibility, complexity, trialability, and observability (Rogers, 1995). Relative advantage refers to the degree to which adopters perceive the innovation as better than its predecessor. Compatibility involves the degree to which members of the social system perceive the innovation as consistent with the values and needs of potential adopters. Complexity is whether an innovation is perceived as difficult to understand and use. Trialability refers to whether potential adopters can experiment with an innovation before adopting it. Observability involves the degree to which members of a social system can see the results of an innovation (Rogers, 1995). Other factors such as the social system also affect the rate of adoption of an innovation. Some measure of transformation of values, attitudes, and beliefs must occur in the process of diffusion to make consumers willing to try the innovation (Harvey, 2016). Marketing can help educate consumers of the value and function of a new product or service.

Five categories of adopters exist along a continuum of early and late adoption. These categories include innovators, early adopters, early majority, late majority, and laggards (Rogers, 1995). Early adopters are key players in the diffusion process (Byambaa et al., 2015). This category includes those who purchase the new product soon after its introduction and well before the average consumer (Frattini, Bianchi, Massis, & Sikimic, 2014). Compagni et al. (2015) indicated that understanding the implementation experiences of early adopters reduces the uncertainty of late adopters, who in turn mimic the micro-level practices of successful adopters to adopt the innovation. Even amidst failure of early adopters, late adopters still pursue the implementation of innovation. Greve and Seidel (2015) posited that the social information processing parameters used by late and early adopters concerning the innovation are the same. The likelihood that late adopters will also abandon a failed innovation if the early adopter abandons the failed innovation is high (Greve & Seidel, 2015). Marketers should also be cognizant that the diffusion processes of successful and failed innovations are similar.

Once the context and performance of the innovations are the same, innovations diffuse almost identically. Compagni et al. (2015) suggested that the position of an industry player influences how the firm frames an innovation and consequently the adoption decisions surrounding the innovation. Incumbent firms and those closely linked with the innovation tend to consider innovation as a threat whereas those peripherally associated with the innovation may view it as an opportunity (Compagni et al., 2015). These perceptions will shape innovation adoption behavior.

Organizational innovation adoption. Implementing new practices successfully and quickly is important for organizations to remain competitive in rapidly changing industries, such as the music recording industry. Makkonen, Johnston, and Javalgi (2016) identified the activities that define organizational innovation adoption behaviors and the main elements that shape these behaviors. Organizational adoption behavior includes the activities in which firms engage to match potential and actual needs with potential and actual solutions. Managers make these matches based on knowledge from internal and external sources (Makkonen et al., 2016). Management of adoption involves constant questioning about performance and routines. Managers also have to identify potential company needs and solutions to ensure that the solutions match the firm's needs. Determining which pairs of need-solutions to implement and considering internal resistance to change is critical.

Senior managers should consider carefully the organizational groups they choose to influence regarding innovation adoption. Given the firm's internal resistance to change issues, this selection can impede the likelihood and timeliness of implementation of the innovation (Wunderlich, Größler, Zimmermann, & Vennixa, 2014). Senior managers should consider the intra-organizational communication structures and set the selected groups apart from non-adopters (employees who neglect the innovation). Non-adopters can severely impede the adoption process. The adopter groups (employees who use the innovation) should also be close to each other to stimulate the adoption of the innovation. In the music recording industry, the adopter groups can influence the adoption of disruptive innovations.

West Indies Music Recording Industry

The creative industries, dominated by the music industry, are becoming a pivotal growth sector in the West Indies (UNDP & UNESCO, 2013). The creative industries sector contributes to GDP, exports, employment, and intellectual property earnings but faces a trade imbalance in goods, services, and copyright earnings (Nurse, 2015). The sector also suffers from a poor data collection infrastructure, challenges that relate to piracy and copyright protection, lack of investment capital, managerial weaknesses, lack of business support services, low levels of media access, and weak distribution channels among others (Nurse, 2015).

In 2000, nine Caribbean Collective Management Organizations (CMOs) collaborated to form the Association of Caribbean Copyright Societies (ACCS) (Association of Caribbean Copyright Societies, 2017). These CMOs focus on the collective administration and protection of intellectual property rights in the music recording industry. ACCS focuses on technological development in the sector and implements a copyrights management system (Association of Caribbean Copyright Societies, 2017). Given the weak data collection infrastructure of the sector, no data exists regarding collections by the CMOs including royalties from authors and composers' rights, digital trade, and the industry's exact contribution to GDP (Nurse, 2015). ACCS is working to create a digital database of music in the Caribbean region that streaming and other digital music service providers can access.

Regarding digital music, several providers operate in the West Indies offering music subscription, download, and audio streaming services. Apart from streaming

service providers, Deezer and Spotify available worldwide, Rdio, Claro, and Bajantube offer music subscription services while Digicel and Binbit offer music download services. Apple iTunes is also available in the West Indies. REGGAEinc and Bajantube offer audio streaming services along with the well-known streaming service providers, Vevo, YouTube, Deezer, and Spotify (Nurse, 2015). The challenge for industry players in the West Indies is understanding how to take advantage of these services to be profitable.

Profitability in the Music Recording Industry

A firm in the music recording industry generates revenues from the sale of products such as CDs or royalties. Three types of royalties exist. Recording firms or artists receive performance royalties when third parties perform, play, or use their songs on the radio, in the mall, or as a ring tone (Wikström, 2009). Music companies receive synchronization royalties when a song is used together with moving images such as in motion pictures or video games. Artists or music firms receive mechanical royalties when they sell sheet music or recordings (Wikström, 2009). These revenues lead to profit. Revenues can be used as a measure of industry performance. For example, when MP3 technology appeared in the 1990s, it caused a complete technological shift that incumbents did not readily adopt because of their heavy investments in the established technology (Myrthianos et al., 2014). Consequently, company profits decreased as revenues also declined. Hence, the music recording industry business' revenues positively link with firm profits.

Leaders can increase revenues and profits by revenue enhancing activities. Such activities include developing the company's intellectual property portfolio, boosting

media presence, and increasing licensing of the firm's portfolio (Wikström, 2009). Companies can also increase their profits by focusing on reducing the costs associated with music production, marketing, and licensing (Wikström, 2009). Wikström explained that cost-cutting measures result in near-immediate positive effects on profits as compared to revenue enhancing activities that require more time to be effective. The competition can easily replicate cost-cutting measures. These types of measures do not provide the company with a competitive advantage until the firm launches new cost-cutting initiatives. Music company executives and leaders can choose to adopt both types of strategies and are not limited to implementing only one strategy.

Piracy and peer-to-peer sharing threaten the profitability and earning potential of the music recording industry. Technological developments in digital computing make appropriating revenues from some audience actions such as peer-to-peer file sharing more difficult. This problem of not being able to appropriate revenues coupled with increased audience fragmentation requiring heightened marketing effort threatens a music recording firm's ability to generate profits (Wikström, 2009).

Increasing revenue and profits in such a competitive environment is key to business survival. Wikström (2009) suggested four types of strategies that the company can engage in to increase revenues and profits, which include (a) increasing marketing efforts, (b) increasing licensing efforts, (c) maintaining appropriability, and (d) reducing risk. By cutting the music video production budget and using less television advertising, music recording businesses can cut costs to increase revenues and profits (Wikström, 2009). By selecting a handful of artists and focusing the company's resources on

promoting the artists, firms can recoup the upfront marketing and distribution costs. Licensing music to movie projects, television commercials, videogames soundtracks, and various applications for the mobile phone can lead to media presence resulting in revenue generation for the business. Supporting and promoting copyright treaties and legislation and using copyright protection technologies, music recording companies may limit online piracy and maintain appropriability. This strategy has the adverse effect of limiting consumer access to the products. By seeking to reduce risk exposure, companies sign fewer artists and spend less on marketing and A&R. The downside to this selectivity is that it limits creativity. Leaders also should consider streaming services as a revenue generating alternative.

Streaming services, such as Spotify, offer subscribers on-demand access to catalogs of music for free or a subscription fee pay about 70% of their revenues in royalties to music rights holders (Kurtzman, 2016). While Spotify generated revenues of $2.1 billion in 2015, it also reported an operating loss of $206 million that year (Kurtzman, 2016). Kurtzman (2016) argued that the streaming model is not profitable and it may not be long before service providers increase their prices or fold. Companies must give careful consideration to their revenue generating portfolio as well as their cost cutting measures.

Transition

In Section 1, I discussed the conceptual framework, the theory of disruptive innovation, along with other concepts that may have been useful for exploring profitability strategies of small business owners in the music recording industry. These

concepts included business model innovation, dynamic capabilities, the theory of diffusion of innovation, and profitability. I applied each topic to the music recording industry to increase understanding of the phenomenon. In Section 2, I discuss elements of qualitative research including the role of the researcher, population and sampling, data collection, data analysis, and reliability and validity strategies.

Section 2: The Project

The first step in case study research is to identify a theory to help understand the research problem (Turner & Danks, 2014). Once a researcher identifies the theory, the research problem becomes the focus of the case study design (Turner & Danks, 2014). In this section, I summarize how I used the case study design to explore strategies that successful small business owners in music recording industry use to adapt to business model innovation to ensure profitability.

Purpose Statement

The purpose of this qualitative multiple case study was to explore the strategies that some small business owners in the music recording industry use to adapt to business model innovation to ensure profitability. The population consisted of five small business owners in the music recording industry in the West Indies who have successfully adapted to the transformations in the industry's business model and are profitable. Researchers have found that profitable firms generate employment and contribute to higher standards of living for small business owners, their families, and communities (Hayes et al., 2015). The findings from this study could contribute to social change if small business owners in the music recording industry can implement the strategies presented in this study to make their businesses profitable.

Role of the Researcher

A researcher's preconceived views, assumptions, concepts, and hypotheses influence the outcomes of a qualitative study (Collins & Cooper, 2014). When developing studies, qualitative researchers need to report these factors as well as where

the collected data have caused them to change their views (Collins & Cooper, 2014). In a qualitative study, the role of the researcher involves networking and collaborating, as well as undertaking, managing, evaluating, and publishing research (Kyvik, 2013). That is, qualitative research involves data collection and analysis (Kyvik, 2013; Ladnier, 2013). Researchers also need to publish or make their findings available to the public (Kyvik, 2013). According to Cope (2014), the qualitative researcher serves as the primary data collection instrument. I thus served as the primary data collection instrument in this study.

I work and live in the West Indies. In my position as an operations officer of a multilateral development agency, I work with music recording industry stakeholders in the Caribbean, offering training workshops and capacity-building support. During training workshops, participants highlight challenges they experience in the music recording industry. One challenge stakeholders regularly identify is that of understanding how to adapt to digitization to remain profitable.

Researchers should address issues of anonymity, confidentiality, informed consent, recruitment, gatekeeping, and formal ethical regulation in their studies (Camfield & Palmer-Jones, 2013; Kara & Pickering, 2017). In my study, I applied the Belmont Report protocol that emphasizes basic ethical principles of respect for persons, beneficence, and justice (U.S. Department of Health and Human Services, 2017). Application of these principles in research involves informed consent, assessment of risks and benefits, and the selection of participants for the research (U.S. Department of Health and Human Services, 2017). As suggested by Bahraminejad et al. (2015) and Nepper and

Chai (2016), participants must voluntarily agree to take part in the study and sign the consent forms before commencing the interviews. I explained to the participants the purpose of the research, its risks, and benefits so that they could determine whether they wanted to participate. To protect participants' identities, I used pseudonyms to reference specific individuals. I treated all participants the same, using purposeful sampling to select small business owners because the phenomenon occurs among them.

The aim of scientific research is to reduce bias, particularly researcher bias. Researcher bias results from the combination of research design, analysis, and reporting factors that shapes the findings of a study (Collins & Cooper, 2014; Shepperd, 2015). This bias cannot be entirely eliminated because one cannot separate a researcher from his or her background, views, and experiences (Kooskora, 2013). Empiricists demand researchers take a detached stance toward the topic because subjectivity could produce distortion and irregularities (Collins & Cooper, 2014). I transcribed the interviews and used member checking, the process of taking ideas back to participants so that they can confirm the accuracy of the descriptions and interpretations to avoid researcher bias.

I designed an interview protocol (see Appendix A) with open-ended questions to guide the line of inquiry during the interviews. Benson and Powell (2015) asserted that researchers should use interview protocols to gather the best possible statements from participants. Semistructured interviews ensured that I obtained all the necessary information while giving participants the chance to illustrate concepts (see Dasgupta, 2015). To provide consistency and fairness in the data collection process, I asked each

participant the same questions. I explained to the participants what will happen to the data collected and addressed any confidentiality concerns they had.

Participants

Identifying appropriate participants is important when designing a study (Sargeant, 2012; Starr, 2014). The basis for selecting participants should be clear (Starr, 2014). Participants must be related to the initial research question and the intended results of the study (Dasgupta, 2015; Sargeant, 2012). Because profitability strategies fall within the domain of executive-level managers (Dasgupta, 2015), participants were owners of small businesses in the music recording industry in who have faced or are facing the phenomenon and are profitable. The selected businesses had fewer than 199 employees to fall into the category of *small* according to the OECD (Li, 2015).

I gained access to the participants from a CMO in the West Indies. As a CMO for music copyrights in the West Indies, a representative of the CMO provided me a list of potentially eligible participants given its intermediary role in the collection of composers', authors', and publishers' royalties. I contacted the potential participants via e-mail or telephone to determine eligibility and willingness to participate, and to arrange the interviews. I also provided prospective participants with a copy of the site proposal (see Appendix B) so that they understood their role and potential benefits of participating in the study (see Vohra, 2014).

Establishing rapport and explaining interview ground rules is widely recommended in qualitative research (Anyan, 2013; Bowden & Galindo-Gonzalez, 2015; Brown et al., 2013; Cope, 2014). Rapport building increases participants' engagement

and feelings of empowerment while reducing anxiety during the interview process (Ahern, Hershkowitz, Lamb, Blasbalg, & Winstanley, 2014; Cope, 2014). Apart from building rapport, the site proposal (see Appendix B) allows the interviewer to define his or her role, clarify participants' tasks, and establish ground rules (Benson & Powell, 2015). I explained the purpose of the study and the research process using the interview protocol (see Appendix A). I also explained the type of secondary data I needed from participants, assuring confidentiality of the information received.

Research Method and Design

Research Method

I chose a qualitative method for this study because it offered a holistic view of the topic under inquiry (see Park & Park, 2016). Qualitative research allows a researcher to explore the descriptive accounts of participants and compare similarities and differences among those accounts (Park & Park, 2016). When scholars and practitioners need a robust theory concerning a particular topic, qualitative methods are better than quantitative or mixed methods (Park & Park, 2016; Tumele, 2015; Vohra, 2014). Researchers conduct exploratory research for a more in-depth understanding of the phenomenon of interest (Barnham, 2015; Starr, 2014) and use qualitative research when the topic is complex, or when the views of participants are of inherent interest (Ladnier, 2013; Starr, 2014).

The objective of quantitative research is to predict and understand social phenomena through quantification in data collection and hypothesis testing (Gog, 2015; Park & Park, 2016). Because my goal for this study was not to test theories, but rather to

apply theoretical concepts to answer the research question, a qualitative method was most appropriate. Qualitative methods enable researchers to apply an open-end approach to data collection (Starr, 2014). In contrast, a quantitative method involves a closed-end approach to data gathering when researchers know in advance how to characterize the data (Starr, 2014). In quantitative research, participants cannot ask questions or explain the reasoning behind their responses, whereas in qualitative research interviewers can hold flexible discussions with participants to gain complete insight into the phenomenon of interest (Starr, 2014). The information collected in qualitative research is richer, more detailed, and more complex than that collected in quantitative research (Barnham, 2015; Starr, 2014). This richness helps researchers better understand the phenomenon (Starr, 2014).

A mixed methods design is useful when either the quantitative or qualitative approach by itself is inadequate for understanding a research problem (Annansingh & Howell, 2016; Bristowe, Selman, & Murtagh, 2015; Vohra, 2014). Because mixed methods research involves both a qualitative and quantitative component in the study, mixed methods research is time-consuming (Turner, Cardinal, & Burton, 2016). Given the limited time and resources available to undertake this study, I determined that a qualitative approach was more suitable than a mixed methods approach.

Research Design

Because I wanted in-depth descriptions of the profitability strategies some small business owners use in the music recording industry, I selected a multiple case study research design. The research design is the framework for data collection and analysis

(Gog, 2015). The design is the logical sequence for connecting the collected data to the research question and the study's outcomes (Tumele, 2015). The central research question influences the choice of research design (Gog, 2015; Tumele, 2015). Case study has become increasingly prominent as a research design because it simplifies complex issues (Annansingh & Howell, 2016). Researchers use case study for either exploratory, descriptive, or explanatory purposes (Annansingh & Howell, 2016; Astalin, 2013; Tumele, 2015). The researcher collects detailed information for the case from multiple sources (Gog, 2015; Starr, 2014; Tumele, 2015). This design involves using a relatively small number of cases to conduct an in-depth analysis of a phenomenon in its natural context (Gog, 2015; Salmon, 2016; Starr, 2014; Tumele, 2015; Yin, 2009).

Case study researchers develop a preliminary theory based on the topic (Yin, 2009). Using an inductive approach, the researcher builds the theory from the case (Salmon, 2016). I used a multiple case study design, as opposed to a single case. Dasgupta (2015) posited that multiple cases enable a rich and comprehensive study of a phenomenon. A multiple-case study can strengthen derived findings, while a single case-study requires strong argumentation to avoid criticism (Gog, 2015; Vohra, 2014). In multiple case study designs, a comparison of cases establishes key empirical patterns, offers new explanations for the phenomenon, or provides evidence to support or disprove the prevailing theoretical framework (Annansingh & Howell, 2016).

Other qualitative research designs include phenomenology and ethnography (Ahmed & Haag, 2016; Astalin, 2013). Phenomenology, the study of phenomena, is concerned with the way individuals experience situations and events and the meanings

they place to these experiences (Astalin, 2013; Burr, King, & Butt, 2014; Gill, 2014; Kaszynska, 2015). Transforming participants' lived experiences into a textual expression of their essence was not the purpose of this research; therefore, a phenomenological design was not appropriate for this study.

Ethnography focuses on groups that share the same culture and how they interact with each other (Astalin, 2013; Bell & Bell, 2015; Park & Park, 2016). In ethnography, the researcher is the primary research instrument, taking at least 1 year to observe the full range of activities within the group (Astalin, 2013; Bell & Bell, 2015; Park & Park, 2016). Because this research did not concern the lifestyle of a cultural group, ethnography was not suitable for this study. Further, the length of time needed to spend in the field was not possible for this study.

Data saturation is the point at which no new information or themes emerge from the collected data despite the inclusion of additional interviews or cases (Boddy, 2016; Fusch & Ness, 2015). O'Reilly and Parker (2013) and Morse (2015) have noted that data saturation means that researchers have achieved both depth and breadth of information. Failure to reach data saturation negatively impacts the content validity of the research (Fusch & Ness, 2015). Achieving depth and breadth of information implies the need for examination of more than one case to achieve data saturation (Boddy, 2016; Marshall, Cardon, Poddar, & Fontenot, 2013), but a small study will reach saturation more quickly than a larger study (Fusch & Ness, 2015). I selected five cases for my study to ensure data saturation and achieved data saturation quickly with the five cases.

Population and Sampling

A sample is a group or part of the whole population (Gog, 2015). To identify a sample, researchers must specify inclusion or exclusion criteria, or both, for the study (Robinson, 2014). In this study, the population consisted of small business owners or managers in the music recording industry in the West Indies who have adapted to digitization and are profitable. Sampling is the process of selecting units from the whole population (Gog, 2015). Gentles, Charles, Nicholas, Ploeg, and McKibbon (2016) proposed that in qualitative research, sampling involves the selection of specific data sources to address the research objectives. The sample selected should also be representative of the population (Boddy, 2016). According to Bristowe et al. (2015), Morse (2015), and Salmon (2016), researchers use purposeful sampling to avoid sample bias by selecting firms based on their relation to the phenomenon of interest. Purposeful sampling refers to selecting participants who the researcher thinks will provide the best perspectives about the phenomenon under inquiry (Griffith, Morris, & Thakar, 2016; Robinson, 2014; Starr, 2014). I used purposeful sampling to select the five cases.

In case study research, researchers select individuals or organizational leaders who have or are experiencing the phenomenon under exploration (Gentles et al., 2016). While there is no standard number of cases to use in case study research, Gog (2015) and Marshall et al. (2013) promoted that the number of cases selected should be dependent on the research question and its purpose. O'Reilly and Parker (2013) added that the sample size depends on the resources available. As qualitative research is resource-intensive, sample sizes tend to be smaller than those in quantitative research (Moon, Brewer,

Januchowski-Hartley, Adams, & Blackman, 2016; Starr, 2014). Robinson (2014) suggested that case study research should have small sample sizes so that the researcher can extensively analyze each case. Each case should also be well-represented in the study accomplished only with small sample sizes (Robinson, 2014).

One method used to justify sample size in qualitative research is to cite recommendations from qualitative methodologists (Marshall et al., 2013). Yin (2009) recommended at least six cases. Gog (2015) suggested more than four cases to obtain findings representative of the population. Marshall et al. (2013) proposed no more than five cases. In a review conducted by Sarker, Xiao, and Beaulieu (2013) on case study research, approximately 75% of studies used less than five cases in the research inquiry. More importantly, the sample size should allow the researcher to reach data saturation (Marshall et al., 2013; Nepper & Chai, 2016). I selected a sample size of five small business owners or managers to help identify patterns that may reveal strategies that contribute to profitability in the music recording industry. This sample size is also realistic for one researcher. The sample size is sufficient if the researcher reaches data saturation or the point where no new concepts or themes emerge (Bristowe et al., 2015; Nepper & Chai, 2016; Sargeant, 2012). At this point, the researcher can also replicate the study with the same results (Sargeant, 2012).

Ethical Research

Researchers must protect participants while conducting research (Scherzinger & Bobbert, 2017). Values such as respect for persons, beneficence, and justice guide ethical research (Patel, Moore, Craver, & Feldman, 2016; Scherzinger & Bobbert, 2017; Yip,

Han, & Sng, 2016). Researchers should only conduct studies when participants give informed consent to participate voluntarily in them (Ahmed & Ahmed, 2014; Patel et al., 2016; Scherzinger & Bobbert, 2017). Informed consent is a process whereby participants voluntarily confirm their willingness to participate in a study, after having been informed of all aspects of the study that may affect them (Yip et al., 2016). Informed consent is fundamental to research ethics and has two specific goals (Paquette & Ross, 2015; Scherzinger & Bobbert, 2017; Tam et al., 2015). These goals are to respect participant's autonomy and protect them from harm (Tam et al., 2015).

According to internationally accepted ethics standards, such as the Belmont Report, researchers capture informed consent on forms signed by participants before engaging in the study (Scherzinger & Bobbert, 2017; Tam et al., 2015). These forms should include the nature, purpose, risk, and scope of the study (Ahmed & Ahmed, 2014; Scherzinger & Bobbert, 2017; Yip et al., 2016). Also, the forms should highlight that participation is voluntary and that participants can withdraw from the study at any point without penalty (Ahmed & Ahmed, 2014; Scherzinger & Bobbert, 2017). I designed a consent form to capture participant's consent. This form was part of the doctoral study proposal that the institutional review board (IRB) reviewed and approved (approval # 05-01-18-0610605). Before beginning the interviews, I requested that each participant read, and if in agreement, sign the consent forms. I also explained the contents of the form so that participants understand same (see Kane and Gallo, 2017).

Yip et al. (2016) recommended that researchers should inform participants of any cash or benefits when obtaining informed consent. No incentives were offered for

participating in this study. Researchers are mandated to minimize any risks or physical injury to research participants (Patel et al., 2016). Given the nature of the study, risks to participants were minimal. Participants should not experience any harm because the study focuses on their experiences and perceptions. Research participants could withdraw from the study at any time without penalty. Participants simply needed to indicate their desire to do so.

Researchers must observe respect for privacy, grounded in the ethical norm of respect for persons (Gelinas et al., 2017). Investigators should handle personal and confidential information responsibly (Ahmed & Ahmed, 2014; Bowden & Galindo-Gonzalez, 2015; Gelinas et al., 2017). Any data collected was kept confidential. I did not use participant information for any purpose outside the research project. Yip et al. (2016) suggested that researchers should omit non-essential identifying information during data collection and storage. I did not include participant names or other information that could identify them in any analysis or reports of the study to protect participants' identities and rights. Instead, I used pseudonyms to reference individual cases. Any electronic data participants provided was stored on a password-protected flash drive. I kept hard copies of documents related to this study in a locked file storage cabinet that only I could access. I will store the data securely for 5 years to protect the confidentiality of participants. After 5 years the data will be destroyed.

Data Collection Instruments

Thorough data collection is essential to conduct qualitative research (Cope, 2014). Researchers select data collection methods based on which will answer the research

question best (Carter et al., 2014). The researcher is the primary data collection instrument and must avoid researcher bias (Cope, 2014; Fusch & Ness, 2015; Sarker et al., 2013). I was the primary data collection instrument. Other types of data collection instruments most commonly used in qualitative research include focus groups and in-depth interviews (Ahmed & Ahmed, 2014; Anyan, 2013; Fusch & Ness, 2015; Onwuegbuzie & Byers, 2014). Rather than use a pre-existing data collection instrument, I designed a set of research questions intended to gather the data specific to this study. I collected data using in-depth, semistructured interviews. In-depth, semistructured interviews are extended discussions with participants about the subject matter that follow a somewhat predetermined sequence of questions (Ahmed & Ahmed, 2014; Grossoehme, 2014; Starr, 2014). Semistructured interviews allow the researcher to pursue relevant topics that arise during the interview with follow-up questions (Grossoehme, 2014).

As suggested by Ahmed and Ahmed (2014) and Ladnier (2013), the questions were open-ended to generate a vast breadth of data. Interviews should be face-to-face to ensure consistency (Ahmed & Ahmed, 2014; Ladnier, 2013). Researchers should also ask the questions following the interview guide for structure and consistency (Ahmed & Ahmed, 2014; Grossoehme, 2014; Vohra, 2014). This consistency will help achieve data saturation (Fusch & Ness, 2015). I conducted face-to-face interviews following the interview protocol (see Appendix A) and asked the interview questions. I contacted the participants via telephone to schedule the interviews and met them at a mutually convenient place and time. Recognizing that participating in the study will require time from the participants, I began the interviews by thanking the participants for agreeing to

contribute to the research. I described the nature and purpose of the study as well as the role of participants.

Bristowe et al. (2015), Grossoehme (2014), and Starr (2014) recommended that researchers record and later transcribe the interviews. These actions preserve the full content of the interview and facilitate data analysis (Bahraminejad et al., 2015; Bristowe et al., 2015; Starr, 2014). To supplement my note-taking, I requested permission for the interviews to be audio recorded using a digital recorder. I also used my mobile phone to record the interview as a back-up if the digital recorder malfunctioned. I asked each participant to read and sign the informed consent form before the start of the interview. Following the interview protocol (see Appendix A), I asked the interview questions in the prescribed sequence, watching for non-verbal cues according to the observation protocol (see Appendix C), which may be useful in interpreting the responses or lead to probing, follow-up questions. I concluded the interviews by thanking participants for their time and sharing their insights.

Later I transcribed the interviews and summarized each participant's comments or responses to the questions as well as my interpretation of their non-verbal behaviors. The participants each received a copy of their summaries for verification. Once I complete the analyses, I invited the participants to check the findings and provide feedback. This process of member checking enhances the reliability and validity of the study (Grossoehme, 2014; Houghton, Casey, Shaw, & Murphy, 2013; Ladnier, 2013).

In most case study designs, researchers use documents, observations, and interviews together to strengthen the quality of the research (Astalin, 2013; Devers &

Frankel, 2000; Saka, Bayram, & Kabapınar, 2016). I attempted to collect financial data from company documents by asking the business owners to share such data with me, but all the participants were reluctant to share their financial data with me. Collecting data from multiple methods or sources is known as triangulation (Carter, Bryant-Lukosius, DiCenso, Blythe, & Neville, 2014). Triangulation will also help achieve data saturation and validity (Carter et al., 2014; Fusch & Ness, 2015; Turner & Danks, 2014). Once data were collected, I coded the data to ensure anonymity and analyzed them.

Data Collection Technique

Data were collected using face-to-face, semistructured, in-depth interviews as well as observation. The in-depth interview is a data collection technique that allows participants to share their perspectives on the research topic vividly (Onwuegbuzie & Byers, 2014). Researchers obtain a thick description, helping them to understand the meaning participants attach to experiences (Onwuegbuzie & Byers, 2014). Other advantages of using semistructured interviews include flexibility, interactivity, and comprehensibility (Bahraminejad et al., 2015). Participants may also be more willing to share sensitive information in an in-depth interview than in a focus group. While following the interview protocol (see Appendix A) gives the interviews some structure, semistructured interviews allow the researcher to cover the topics in a flexible, open order (Ahmed & Ahmed, 2014; Anyan, 2013).

Semistructured interviews are effective as an interactive two-way communication process (Ahmed & Ahmed, 2014). Researchers ask participants questions and participants will respond, explaining their views freely. The researcher will follow-up

with probing questions for clarification or expansion of the topic (Ahmed & Ahmed, 2014; Nepper & Chai, 2016). This type of probing provides comprehensibility because the researcher seeks to arrive at the full understanding of participants' meanings (Ahmed & Ahmed, 2014). In face-to-face interviews, in particular, participants are more likely to share more examples and intense experiences, adding more data to the study (Ahmed & Ahmed, 2014; Bowden & Galindo-Gonzalez, 2015). Interviewers can also capture non-verbal cues such as body language, tone, pauses, and inflections.

One disadvantage of using face-to-face, in-depth interviews is that the researcher has to contend with background noise or distractions in the participants' surroundings (Bowden & Galindo-Gonzalez, 2015). Another disadvantage is that some of the stories participants share may not be relevant to the research question (Bowden & Galindo-Gonzalez, 2015). While eliminating background noise may be difficult because the distractions are often outside the control of the interviewer, the interview protocol will enable the researcher to keep the interview on track (Ahmed & Ahmed, 2014). Conducting in-depth interviews as well as transcribing them requires significant time and effort (Carter et al., 2014).

I contacted each participant via telephone to arrange the interviews at a mutually convenient place and time. Each participant read and signed the informed consent form before the start of the interview. I transcribed the interviews, summarized the key points, and provided participants with a copy of the summaries via e-mail for verification. This review is known as member checking. Houghton et al. (2013) and Harvey (2015) suggested that researchers give participants the opportunity to provide feedback on the

interpretations derived from the analysis. Member checking enhances the credibility of the findings (Houghton et al., 2013).

Internal company documents are a valuable source of information about a company's activities (Wieland et al., 2014). These documents include e-mails, memos, reports, presentations, and meeting minutes not originally intended for the public (Turner & Danks, 2014; Wieland et al., 2014). The primary focus for my study was on financial records. Because small businesses in the West Indies are not required to disclose such information outside of for tax purposes, these documents are not publicly available. The owners were required to provide me with a copy of these documents. However, they were reluctant to do so. To confirm profitability, I asked the owners if the business was profitable before scheduling the interviews. Only those who answered in the affirmative were scheduled for the face-to-face interviews.

Data Organization Technique

Good qualitative data analysis requires that the information can be easily located and is organized (Devers & Frankel, 2000). Computer programs may help organize and manage the vast amount of information researchers collect during a qualitative study (Devers & Frankel, 2000; White, Oelke, & Friesen, 2012). Using more general-purpose software packages such as Microsoft Word and Excel is one way to organize, reduce, and analyze qualitative data (Watkins, 2017). I created a folder for each case on the computer and labeled according to the name of the company e.g. Kes, the Band. I stored all electronic data in the relevant folders on a password-protected flash drive. I kept hard copies of documents related to this study in a locked file storage cabinet that only I can

access. To protect participants' rights, I will store the data securely for 5 years after which I will destroy the data by shredding the paper documents and deleting the electronic files stored on the flash drive.

Data Analysis

The goal of qualitative data analysis is to examine, categorize, tabulate, and test the data to uncover themes, determine explanations, and construct conclusions that facilitate understanding of the phenomenon under study (Lawrence & Tar, 2013; Sargeant, 2012). Four types of triangulation exist: theoretical, methodological, investigator, and data triangulation (Carter et al., 2014; Gorissen, van Bruggen, & Jochems, 2013). Theoretical triangulation involves the use of at least two theories in the same study to increase understanding of the research findings. By eliminating or reducing the shortcomings of using a single theory, theoretical triangulation provides a more in-depth understanding of the phenomenon under study (Burau & Andersen, 2014; Carter et al., 2014). Methodological triangulation includes the use of multiple methods of data collection to gain a clear view of the phenomenon (Carter et al., 2014; Cope, 2014; Vohra, 2014). Such methods can include interviews, observation, and field notes (Carter et al., 2014). Investigator triangulation involves two or more researchers conducting the same study to provide different perspectives (Carter et al., 2014; Gorissen, et al., 2013; Johnson et al., 2017). Data triangulation is the use of multiple sources of data in the research to produce more comprehensive results (Carter et al., 2014; Moon et al., 2016; Noble & Smith, 2015). These sources could be dissimilar groups or individuals, as well

as differ in time and space (Carter et al., 2014; Gorissen, et al., 2013; Johnson et al., 2017).

Of the four types of triangulation, I used methodological triangulation. More specifically, I collected and analyzed data from in-depth, semistructured interviews and observations. The most commonly used type of triangulation in qualitative research is methodological triangulation (Gorissen, et al., 2013; Heale & Forbes, 2013). Methodological triangulation was most appropriate given the research question and case study design. I was the primary data collection instrument so investigator triangulation was not suitable for this study. Given the limited resources as well, data triangulation was not appropriate for this inquiry. Because this research used only the theory of disruptive innovation to explore the strategies small business owners in the music recording industry use to be profitable in the face of business model innovation, theoretical triangulation was not suitable for this study.

Bahraminejad et al. (2015) and Vohra (2014) supported the following five steps for analyzing data in qualitative studies. The first step involves organizing details from the case in a logical order. Second, the researcher categorizes the data into meaningful groups. In the third step, the researcher examines and interprets single instances for the specific meanings that they might have in relation to the case(s). Next, the researcher identifies patterns or themes in the data that help explain the case(s) more extensively. Finally, the researcher synthesizes the themes and makes a conclusion about the case(s). These conclusions may have implications beyond the case(s) under study (Vohra, 2014).

When using multiple cases, researchers should first provide a detailed description of each case and themes emerging from the cases. This process is called a within-case analysis (Vohra, 2014). A researcher follows the within-case analysis by a cross-case analysis or synthesis of themes across cases (Nepper & Chai, 2016; Turner & Danks, 2014; Vohra, 2014). I transcribed the interviews and coded each participant using a pseudonym. I conducted a within-case analysis by examining each transcript independently to understand the general meaning of the participants' responses. I organized the details of each case in a logical order. Next, I used coding to categorize the data into meaningful clusters including data from observations. A detailed description of each case and identification of themes in the case completed the within-case analysis. I conducted a cross-case analysis by comparing the five case descriptions to identify cross-cutting themes.

Researchers must relate key themes with the conceptual framework (Emmel, 2015; Moon et al., 2016). I also explored how the themes supported or contradicted the conceptual framework: the theory of disruptive innovation as well as the other theories in the wider body of knowledge. Applying methodological triangulation, I integrated data from the interviews with the data from the observations. Like Johnson et al. (2017), I chose each research method to access different types of information to compare findings across methods. I reexamined the data and interpretations for underlying themes. Finally, I drew conclusions about the cases that may help to understand the phenomenon better.

Qualitative research generates a large amount of data in a non-standard format which makes analysis difficult (Lawrence & Tar, 2013; Watkins, 2017). Using a data

analysis tool or software can help make the task easier (Bourque & Bourdon, 2017). I used Microsoft Excel to help organize and analyze the data because I am proficient with the use of this software as opposed to qualitative data analysis software such as NVivo or Atlas.ti, with which I am not familiar. Researchers use Microsoft Excel to help organize qualitative data from a variety of sources such as interviews, articles, and web content to find insights into understanding phenomena (Woods, Paulus, Atkins, & Macklin, 2016). I manually put in the coded data into Excel using code labels as column headings and participants' pseudonyms as row headings to determine the frequency of the codes (see Neale, 2016).

Reliability and Validity

Reliability

Qualitative research designs must have reliable and valid results (Park & Park, 2016). Because researchers make inferences based on the behavior of a sample of the population, it is important that the results are reliable represent the constructs under study (Park & Park, 2016). Qualitative reliability or dependability shows researcher consistency, demonstrating that the researcher can repeat the study with the same results (Cope, 2014; Ladnier, 2013; Moon et al., 2016; Tumele, 2015). I included reliability and validity strategies in this study; therefore, I used member checking to ensure the accuracy of the interpretations and findings (see Thomas, 2017). Noble and Smith (2015) proposed that researchers present participants with a copy of their interview transcripts as well as the researchers' findings and interpretations for verification, which I did. Ladnier (2013) recommended that researchers should include data that seemed to contradict the research

questions in the results. I included such data when reporting my results and documented detailed descriptions of the research design, data collection methods including my observations, and researcher bias to increase dependability. This transparency allows someone outside the research to audit and critique the process (Moon et al., 2016).

Validity

Credibility refers to the extent to which the research results represent the true meanings of the participants (Cope, 2014; Houghton et al., 2013; Moon et al., 2016). Credibility is especially important if the reader is to implement the recommendations from the study (Moon et al., 2016). Both credibility and dependability influence how accurately the research question is answered (Moon et al., 2016). Researchers can ensure credibility by member checking as well as triangulation (Heale & Forbes, 2013; Noble & Smith, 2015). I collected and analyzed data from in-depth, semistructured interviews; and observation and used methodological triangulation to ensure credibility. I included verbatim quotes from participants in the study because including quotes from participants helps support findings (Bahraminejad et al., 2015).

Transferability is a type of external validity that refers to the applicability of the findings in other contexts (Cope, 2014; Moon et al., 2016; Tumele, 2015). According to quantitative standards, qualitative findings are not typically generalizable given the small number of participants in the study (Moon et al., 2016). Rather, Moon et al. (2016) suggested that qualitative research begins to explain the phenomenon under study where a lack of clarity exists. Qualitative findings can enable researchers to generate hypotheses about the phenomenon for further research (Moon et al., 2016). Researchers should state

the extent to which other scholars and practitioners can apply the findings to other contexts (Cope, 2014; Houghton et al., 2013; Moon et al., 2016). I explained how the study relates to the conceptual framework, its limitations, and highlight areas for future research.

Confirmability involves the degree to which researcher bias influences the research findings (Cope, 2014; Houghton et al., 2013; Moon et al., 2016). The goal of qualitative research is to report on findings directly emanating from the participants and not the perspectives or biases of the researcher (Cope, 2014; Moon et al., 2016). Similar to credibility, confirmability ensures that the research can be replicated with the same results (Moon et al., 2016). Moon et al. (2016) and Noble and Smith (2015) offered that researchers should report their predispositions, beliefs, and assumptions. I reported on my views regarding the phenomenon. I also presented a detailed methodological description enabling the reader to follow the research process and determine confirmability (see Cope, 2014), and (Moon et al.,2016). Participants' verbatim descriptions supporting themes that emerged also help to achieve confirmability (Bahraminejad et al., 2015; Cope, 2014).

Saturation is critical to quality work (Marshall et al., 2013). Researchers must reach that point in the research when nothing new emerges with the addition of more data (Marshall et al., 2013). I ensured data saturation by including several cases in the research and using cross-case analysis. The cross-case design enables theoretical replication, enhancing the validity of the findings (Salmon, 2016). As themes emerged, I

coded them until no new themes arose, providing evidence of data saturation (see Houghton et al., 2013).

Transition and Summary

The purpose of this qualitative multiple case study was to explore the strategies some small business owners in the music recording industry use to adapt to business model innovation to ensure profitability. In Section 2, I discussed various elements of the research inquiry ranging from the study participants to reliability and validity. Participants for the study were owners of small businesses in the music recording industry in the West Indies who have faced or are facing the phenomenon and are profitable. A qualitative multiple case study design was best suited for this study because this approach provided a more in-depth understanding of the phenomenon of interest than quantitative or mixed-methods research. Neither ethnography nor phenomenology was appropriate for this study for several reasons. Rules of ethics including respect for persons, beneficence, and justice were observed to protect participants during the study. I was the primary data collection instrument. Data were collected using face-to-face, semistructured, in-depth interviews and observation. I ensured data saturation by including several cases in the research and using cross-case analysis. Computer programs such as Microsoft Word and Excel helped organize, manage, and analyze the data. Member checking and methodological triangulation assisted in achieving validity and reliability.

Section 3: Application to Professional Practice and Implications for Change

Introduction

The purpose of this qualitative multiple case study was to explore the strategies some small business owners in the music recording industry use to adapt to business model innovation to ensure profitability. The data were collected from face-to-face, semistructured, in-depth interviews and observation with five small business owners in the West Indies music recording industry whose businesses have been profitable in the face of digitization. Analysis of the data revealed five themes regarding the strategies that small business owners in the music recording industry use to ensure profitability. These themes or strategies included (a) focus on live performances, (b) focus on marketing and building a brand, (c) adopt the innovations in all functions of the business, (d) diversify income streams, and (e) adopt vertical integration strategies.

Presentation of the Findings

The overarching research question for this study was: What strategies do small business owners in the West Indies music recording industry use to adapt their business models to ensure profitability? I conducted face-to-face, semistructured interviews with five profitable small business owners in the music recording industry in. To help achieve data saturation, I asked all the participants the same questions in the same manner. I analyzed the data using within-case and cross-case analysis, and achieved data saturation when answers from additional interviews with participants revealed no new themes. Five themes emerged from the analysis of participants' responses and observation as shown in Table 1.

Table 1

Emergent Themes

Participant	Focus on live performances	Focus on marketing & building a brand	Adopt the innovations in all functions of the business	Diversify income streams	Adopt vertical integration strategies
Participant 1	Y	Y	Y	Y	Y
Participant 2	Y	Y	Y	Y	Y
Participant 3	Y	Y	Y	N	N
Participant 4	Y	Y	Y	Y	Y
Participant 5	Y	Y	N	Y	Y

Note. Y = Yes; N = No.

Theme 1: Focus on Live Performances

While music downloads have become very popular in the digital music industry, music streaming is fast replacing digital downloads. Streaming services are expected to dominate the mass music consumption space in the future (Kim, Nam, & Ryu, 2017). While taking advantage of digitization is important to capitalize on royalty payments, in the current industry model, the majority of royalties paid by streaming service providers go to record labels (Hernandez, 2017). Artists and musicians do not play a role in negotiating royalty rates. Artists and musicians argue that online music sales have been undermining physical format sales and that the low returns from online music sales make online music an unsustainable business model. As Participant 1 pointed out, "So if a song is sold for, you know, 99 cents, 33 cents belong to me…. It takes a lot of sales to get a substantial amount of money." This situation has led artists and musicians in the West Indies to focus on one of their core products, live performances, and use digitization to

drive up demand for this product. As Participant 4 stated, “You put those things out so the people see the rollout, they get interested, they get excited, so then you have demand for your music, which will hopefully translate into views, which will then translate into live performances.”

In the West Indies, live performances account for the majority of revenues artists and musicians earn in the music recording industry. As Participant 4 reported, “So for the bigger artists, they still focus on. . . endorsements, they focus on live performances.” As a core product, artists focus on live performances to build awareness of their brands, develop a fan base, and generate revenues through ticket sales. Unfortunately, opportunities for live performances in the West Indies are dwindling because promoters and night club owners prefer to hire a disc jockey (DJ) for their concert, show, or nightly entertainment. Hiring a DJ helps to keep costs down because promoters would only have to pay for one person as opposed to paying a live band with several entertainers and equipment. Consequently, artists and musicians have had to identify and take advantage of opportunities to perform internationally.

All five study participants stated that they focused on touring or performing internationally to generate sustainable income. As Participant 3 pointed out,

> Most of the artists that I work with generally do not survive in the West Indies . . . outside of the annual carnivals and maybe Independence and Christmas when they have extra activities. . . . We have to mainly depend on trying to export our music to other islands or to other carnivals.

Participant 2 concurred by stating, “That’s why for a time I take all the shows outside . . . Every year I got [*sic*] at least a 40-45 show-tour for the year, so I mostly try to focus on that.” Emphasizing international live performances for these small business owners ensures they are profitable in the face of a changing recorded music industry.

According to the theory of disruptive innovation, when facing disruption, incumbents continue to invest in established businesses or sustaining innovations where they perceive a competitive advantage (Christensen & Raynor, 2015). The findings of this study are consistent with this tenet in that small business owners in the music recording industry in the West Indies continue to focus on live performances (their sustaining innovation) and more so on international performances where they have a competitive advantage.

Theme 2: Focus on Marketing and Building a Brand

Eryigit (2017) stated that the competitive advantage for a business depends on its success in marketing. Marketing is the process of introducing and promoting a product or service to customers. Elements of marketing include advertising, promotions, public relations, and sales. In the music recording industry, it is important for small business owners to focus on marketing to build awareness of their product and create a demand for it. As awareness and demand increases, so do sales and profitability (Moorman & Day, 2016).

All five participants indicated that marketing was essential for their business success (see Table 1). Participant 1 revealed that

> Marketing is the key thing, you got to treat it like a business. Is like you want your business to stay on top, you always got to got [*sic*] something to introduce….A song might not be a #1 song, but it can be loved so much that you can end up creating revenue just like a person that got [*sic*] a #1 song. Key thing is how you promote the record.

Marketing in the music recording industry is not only about the media small business owners use to advertise or promote their products, but also about the quality of the content. The quality of the content can help the business to increase its customer base even outside of the artist's fan base.

Three participants emphasized that the key to their success lies in the quality of their music. While some singers and songwriters may write music for a season or a festival, these small business owners focus on writing music that can transcend time and appeal to a wide audience. Making music that can be consumed by a wide variety of consumers for a number of purposes translates into increased sales and profitability for the business.

Performing and entertaining may also be used as a marketing strategy to build awareness of the product to attract different market segments. For instance, Participant 1 reported using entertainment as a strategy to attract corporate customers. He noted that his music makes corporate customers aware of his talent and product offerings. Once a person knows that the business' brand or product exists, many different segments of the market may want to purchase the company's product.

Customer relationship management processes are also a key function of marketing. The process of acquiring and maintaining relationships with valuable customers is important to small business success (Moorman & Day, 2016). Participant 3 validated this statement when reporting that

> It's very important to always keep in contact with promoters, because in a case where that promoter may not want you, they may suggest you to someone else or another festival. . . . Sometimes I don't even have to reach out to the people, because of the relationship that I have nurtured with them, they would sometimes reach back out.

Creating and maintaining good relationships with customers leads to customer satisfaction. This strategy also ensures repeat business that translates into increased revenues and profitability.

While customer relationship management has led to benefits for small businesses in the music recording industry, marketing success goes beyond customer relationship management in the face of competition. Firms will have to focus on branding to bring additional benefits to the company (Todor, 2014). Branding is not just a marketing tool, but can help to create meaning with respect to the firm's values and build relationships between the brand and the end user (Otubanjo & Epie, 2017). Consumer research literature has consistently revealed a positive link between branding and the financial performance of a company (Strong & Bolat, 2016).

Four participants indicated that branding has led to their success as small business owners in the music recording industry, particularly through endorsements from large

companies. Participant 2 revealed that “I tend to try to build my brand. . . . And all of these things does tie [*sic*] back into how you generate and how your income comes, your image, how you carry yourself because then now, endorsements come.” Participant 4 noted that establishing a brand can help to build an image and reputation for the company: “When you have a certain image and you have a certain amount of . . . followers on social media and a certain a web profile, companies would be attracted to have you advertise things for them.” Participant 5 reflected the same views by saying, “The public believes that I can represent . . . you know, culture in the West Indies because of what I have been able to build as a brand.”

Branding may create value by using symbols that allow consumers to identify with the brand. For instance, two of the participants in the study use symbols as part of their branding. Participant 1 wears his hair colored, synonymous with his brand, while Participant 2 wears sunglasses all the time to project a cool image as part of his branding strategy. Participant 2 even wore the sunglasses for the duration of the interview. Brand image can create the perception of quality, leading to brand equity, an increased demand for music products and services, and the ability to generate revenues from additional avenues.

According to the theory of disruptive innovation, when facing disruption, incumbents should continue to strengthen relationships with priority customers (Christensen & Raynor, 2015). The findings of this study validate this theory in that successful small business owners in the music recording industry in the West Indies continue to strengthen their relationships with their fans, clients, and promoters via social

media and other means as part of their marketing strategies. The findings are also consistent with the diffusion of innovation theory. According to the diffusion of innovation theory, business leaders should promote new products or services to build awareness of the products or services. This recommendation is consistent with the findings in that participants have focused on marketing strategies to build awareness of their brand and product offerings.

The findings were also consistent with the theory of dynamic capabilities. *Marketing capability*, a dynamic capability, refers to the company's ability to sustain a competitive advantage by addressing changes in the environment through its marketing knowledge and activities (Breznik & Lahovnik, 2016). Participants in the study used their marketing capabilities to promote their products and services and develop their brand to sustain a competitive advantage. The small business owners also used their technological capability, another dynamic capability, in their marketing strategies (social media) to respond to the changes in the environment.

Theme 3: Adopt the Innovations in All Functions of the Business

Following the second theme, focus on marketing and building a brand, the third theme arising from the data analysis was that successful small business owners in the music recording industry in the West Indies adopted the innovations in all functions of the business. According to Rogers (1995), the innovation adoption process occurs through several steps. The process begins when a decision-maker comes to learn about an innovation and how it functions and forms an opinion about it (Rogers, 1995). The decision-maker either decides to adopt the innovation and implement it or reject the

innovation (Rogers, 1995). The adoption of digital technologies among small businesses in the music recording industry in the Wes Indies has been consistent with this theory. Four of the five participants in the study learned about the digital innovations, how they functioned, and adopted them in all possible functions of the business including production, sales, and marketing (see Table 1).

In the production of recorded music, small business owners adopted the recording technologies as they evolved. Recognizing that physical formats, particularly CD, sales have been decreasing since the introduction of digitization, four participants in the study reported having adopted the recording technologies as they were being introduced. As Participant 1 indicated,

> So one year I decided to do…I did fifty-something songs on one CD, which you would never hear of because most CDs would have at least 15 songs, but what I did, I created an MP3 CD, so that people who had MP3 players, right, could just slip the 50 songs in the car and play and ummmm...sell it at the same price that you would have paid a 12-song CD for. Then it went to flash drives, you know, one man, actually one year after I did the flash drives, uhhh…he didn't have a flash drive player in his car, so he changed the stereo so that he could include flash drives.

Adopting the trending technology allows the participants to remain relevant and meet the changing needs of consumers.

Regarding the distribution and sale of music, with the introduction of digital downloads and music streaming, three of the five participants in the study reported selling their music to online distributors. As Participant 1 indicated:

> I met a guy years ago and I had to put my trust in him because at that point in time I knew very little about digitization except…and it's over 10 years and he came from Germany and brought some contracts and he said listen, I can sell your music online…For over 10 years now he's been selling my music online.

Participant 3 also indicated that he has a contract with an online distributor. "I have a contract with VP Records/V Pal/V Pal Soca where they distribute the music…So you sign a contract with them, like a two-year, three-year for distribution." This strategy allows the participants to increase their revenue streams in a changing market.

Regarding marketing in the music recording industry, since digitization, marketing has evolved into one of the most technology-dependent functions of a business (Moorman & Day, 2016). The rapid growth of social media requires that managers understand how to use it effectively as a marketing strategy. Researchers suggested that a company's social media presence can translate to firm performance (Kupfer, Pahler vor der Holte, Kubler, & Hennig-Thurau, 2018). Four participants reported using technology, or more specifically social media, to communicate with consumers more effectively. Participant 1 indicated that "With today's technology, one of the things I do is advertise on social media a lot." While Participant 3 mentioned, "I actually milk social media: Instagram, Facebook, WhatsApp, Twitter, you name it, we do it."

With social media marketing, participants are able to reach a larger audience. Often the mediums are free and can translate into increased brand awareness, sales, and profitability as reported by Participant 4, "It shows that it's very important that artists here have social media and have material online that people can see and research. We get a lot of work as a band from our Internet presence." The interactive nature of social media stimulates the growth of consumer-brand relationships. The cost-effectiveness of using social media also makes it ideal for resource-challenged companies.

The above findings are consistent with Gans's (2016) study relevant to the theory of disruptive innovation. According to Gans (2016), managers should gather disruptive intelligence, compare the firm's existing technologies with a disruptive innovation, determine how the innovation might affect their business model, then chart a course of action to respond. Incumbent firms facing disruptive innovations can respond by adopting one of three strategies: join them, beat them, or wait them out (Gans, 2016). The findings of this study highlighted that study participants assess how a disruptive innovation aligns with their existing technologies. Participants also assessed how adopting the innovation might affect their business model. More often than not, small business owners in the music recording industry in the West Indies join the disruptors by adopting the technology to ensure business sustainability.

The findings of the study are also consistent with BMI theory. The study participants incorporated digitization in their business models in a three-step process. These small business owners demonstrated that they understand their business models, identified the digital technologies that drive innovation in the industry, and used a

structured path to exploit these technologies. One such strategy they used while innovating their business models was to diversify their income streams.

Theme 4: Diversify Income Streams

The fourth theme emerging from the findings of the study is that successful companies in the West Indies music recording industry diversify their income streams. Income diversification or having multiple sources of income is important to firms when cash flows are not as anticipated. Income diversification can help reduce the risk of bankruptcy to the business (Ramaswamy, Purkayastha, & Petitt, 2017). Companies can diversify their income in response to seasonality of labor or to leverage limited financial capital (Johnny, Wichmann, & Swallow, 2017). These responses may be described as survival-led or opportunity-led where the motivation for diversification is a matter of necessity or choice.

Such diversification can take the form of related or unrelated diversification. Related diversification involves companies entering into business activities similar to their core business, while unrelated diversification refers to companies engaging in revenue generating activities not related to their core business (Boschma & Capone, 2015). Firms that diversify into related businesses are usually more profitable than firms that diversify into unrelated businesses (Ramaswamy et al., 2017). Managers need to keep their range of competitive advantages narrow and focus on specific advantages of cross-business synergies, knowledge sharing, and economies of scope and scale that can translate into higher performance outcomes (Ramaswamy et al., 2017).

Four participants in the study indicated that they adopted income diversification strategies to increase revenue (see Table 1). Participant 1 described the strategy as wearing several hats. Participant 4 mentioned that income diversification is essential to ensure profitability: “So we went into that stuff [rental of sound systems and music equipment], because it’s all about diversifying what we have to try and build up the bank.” Income diversification is necessary to survive in an industry where demand for the core business is declining.

All four of the participants who used diversification strategies highlighted that their diversification strategies grew out of necessity. As Participant 4 indicated:

> It came out of necessity. Ummm…we were Participant 4 or Band 2 at the time. And ummm…the night club scene was starting to die down in the West Indies. And we then said, OK, we need to do something ummmm…that we can obviously make some money from what we’re doing.

All participants’ income diversification strategies were related diversification strategies ranging from rental of music equipment (Participant 4) to production of lyric videos (Participant 1) and merchandising (Participant 4). These findings are consistent with dynamic capabilities theory and BMI theory.

According to dynamic capabilities theory, three classes of dynamic capabilities exist include sensing, seizing, and transforming. Sensing capability refers to business leaders’ ability to continuously scan their internal and external environments to identify new business opportunities (Roberts, Campbell, & Vijayasarathy, 2016). This capability

is validated with the study participants' ability to identify new opportunities to diversify their income streams.

Seizing involves mobilizing resources to take advantage of the business opportunities identified in the sensing stage (Teece, 2014). Seizing also requires the ability to recognize the value and potential in the opportunity including selecting the right technology or target market (Breznik & Lahovnik, 2016; Teece, 2014). This capability is also consistent with the findings of the study as the participants were able to mobilize the requisite human and financial resources to take advantage of the business opportunities they identified in the sensing stage. For example, Participant 4 was able to raise the necessary capital to purchase musical equipment and sound systems after realizing that niche existed in the market, indicating:

> As time progressed and we built up our bank a bit, we purchased some equipment so that we can do some rentals, some small rentals for people, because there are the big sound companies, but a big sound company actually loses when they have to do something small because they still have to use all of their big heavy things to do this small thing…So there was actually a space where we could do small rentals for people.

The participants were also able to select the most appropriate target markets to align with their strategies. For example, the participants targeted commercial customers for jingles and ads or targeted persons hosting small events for rental of music equipment or sound systems.

Once leaders have sensed and seized opportunities, transforming capability allows the managers to redesign their business models to address the changes in the environment (Lambrou, 2016). This capability is also consistent with the findings of the study as participants after having assessed their internal and external environments and identified new business opportunities, redesigned their business models to take advantage of these opportunities including adopting the emerging technologies. Another related theme coming out of the analysis of the data was adopting vertical integration strategies.

Theme 5: Adopt Vertical Integration Strategies

In a challenging economy or changing business environment, organizational leaders increasingly adopt vertical integration strategies as a cost-cutting measure to ensure profitability. Vertical integration is a business strategy that involves taking control of upstream suppliers or downstream patrons. Vertical integration can impact the company's pricing strategy, ability to differentiate, and operational costs (Chawla, 2015). Forward integration involves expansion into downstream activities (Chawla, 2015). An example of forward integration is a recording company purchasing a music distributor. Backward integration involves expansion into activities up the supply chain (Chawla, 2015) such as a streaming service provider also producing music. In the music recording industry in the West Indies, most small business owners engage in backward integration to cut costs of production. More specifically, singers and songwriters are also producers, producing their music or even shows.

As Walzer (2017) indicated, musicians with the equipment, available resources and willingness to learn can become producers with a clear understanding of recording.

This strategy is what four of the five participants in the study adopted to ensure profitability (see Table 1). Participant 1 reported, “I‘ve started to study the mixing, so that I don’t have to spend that extra six or $700 to send to somebody to mix...” Participant 2 concurred saying “I mostly just do production for myself because I got my own studio. So that’s one of the things I invest in, in a studio, so that I could cut costs.” This type of vertical integration has resulted in operational cost reductions for the small businesses in the music recording industry leading to increased profitability. Should these owners choose to offer their production services to other artists, songwriters, and composers, these services could also lead to increased revenues.

These findings are consistent with BMI theory as the participants in the study have mostly reconfigured their business models rather than redesigned them to be profitable. The participants also adopted both an efficiency-centered business model as well as a novelty-centered business model. An efficiency-centered business model aims at reducing costs for stakeholders in the entire value chain, while a novelty-centered business model refers to developing new ways of conducting transactions among value chain participants. Participants in the study have adopted both these types of business models to varying degrees.

Disruptive innovations require a change in the firm’s value proposition and a change in the business model (Pellikka & Malinen, 2014). Consistent to business model innovation theory, small business owners in the West Indies music recording industry have identified viable customer value propositions, such as selling music online, and aligned their profit formula, processes, and resources to fit the new value propositions.

The profit formula includes multiple revenue streams such as royalties, live performances, and music (video) production. Processes include social media marketing while the resources include financial and human resources as well as creative talent and technical skills. Participants in the study have also identified viable customer segments to offer these new value propositions including international or corporate customers. These small business owners in the music recording industry have configured their value networks to deliver their offerings by adopting the prevailing technologies in the industry.

Applications to Professional Practice

Digitization is disrupting some industries including the music recording industry. One challenge digitization creates is piracy as digital formats can be copied and distributed for free or at minimal costs. This challenge also makes it difficult for commercial operators or in the case of the music recording industry, artists and other small business owners, to continue generating the same level of revenues that they did before digitization emerged. Although there has been an increase in industry revenues generated from digital formats since 2015, the majority of these revenues goes to the record labels (Waldfogel, 2017). This imbalance of revenue distribution has made it difficult for small business owners, particularly in the West Indies, to remain profitable. Many small business owners have been unable to adapt to business model innovation to ensure profitability in the face of digitization.

Further, producers may produce music at lowers costs as a result of digitization, which may in some cases offset the losses that some small business owners in the West

Indies music recording industry realize in the face of digitization. The number of avenues firms may use to generate income has increased because of digitization. An understanding of the opportunities that digitization presents and how to take advantage of these opportunities was the basis of this study. This understanding has direct applications to professional practice.

The themes I identified in this study aligned with the tenets of the body of literature including the theories of disruptive innovation, diffusion of innovation, business model innovation, and dynamic capabilities. According to the theory of disruptive innovation, when facing disruption, incumbent firms continue to invest in established businesses or sustaining innovations where they perceive a competitive advantage (Christensen & Raynor, 2015). Successful small business owners in the West Indies music recording industry have reacted this way and focused on their established business: live performances. Successful small business owners have also adopted the innovation in all functions of their business where applicable to ensure profitability (see Gans, 2016). Consistent with the theory of business model innovation and dynamic capabilities, profitable small business owners know how to identify business opportunities, reallocate resources, and adjust their business models to adapt to changes in the environment. Other small business owners might be able to use these results as well as the recommendations in this study to ensure profitability in the face of digitization.

Implications for Social Change

In the U.S., small businesses constitute the vast majority of employers and create more new jobs each year than large businesses (Guettabi, 2015). Similarly, in the West

Indies, the private sector is described as the engine of growth contributing to income and employment generation (Compete Caribbean, 2015). The findings from this study on small business profitability strategies could contribute to social change if small business owners in the West Indies music recording industry can implement the strategies presented in this study to make their businesses profitable. Small businesses that are profitable are positioned better to generate employment in communities and stimulate economic growth.

Anecdotal evidence suggests that in the West Indies music recording industry, young people between the ages of 18 and 35 make up a large percentage of the industry and that more young persons are entering the industry each year. Two of the participants in the study mentioned that they mentor and train young persons interested in becoming artists, composers, musicians, and producers. Sharing the profitability strategies arising from the findings of this study with these young persons can also help them to be successful in the industry if they adopt the strategies. When young people are gainfully employed and profitable, the chances of them joining gangs and engaging in criminal activities or risky behaviors are reduced, contributing to positive social change.

Recommendations for Action

The findings of this study include strategies that some small business owners in the music recording industry use to adapt to business model innovation to ensure profitability. These strategies are recommended courses of action for small business owners in the industry. One such recommendation is that small business owners should focus primarily on live performances where they have a competitive advantage. All the

study participants indicated that this is the most important strategy to adopt in the face of digitization as revenues from digital formats are minimal and greater effort is required to generate substantial revenue from these channels.

Another recommendation is that small business owners should focus on marketing and building their brand. Small business owners in the music recording industry should emphasize their marketing efforts on building awareness of their products and brand so that they may attract segments of the market that they may not be directly targeting. Small business owners should also emphasize the quality of their content. Small business owners should ensure that they generate new content frequently, their music can transcend time, and appeal to a wide audience. Nurturing strong customer relationships is also key to the success of small business owners' marketing efforts. Small business owners in the music recording industry should follow up with and continually engage their clients and consumers of their products. Branding is an essential part of marketing in the music recording industry. Artists and musicians should focus on building their brand as this can lead to profitability through endorsements. Branding may also increase the artists' fan base leading to increased attendance at live performances.

Other recommended strategies emanating from the findings of the study include adopting the innovative technologies in all relevant functions of the business as they emerge. Adoption can help reduce the cost of production; increase revenue streams; and make marketing more effective, reaching a wider audience. In a market where digitization makes revenue generation and profitability difficult, small business owners

can reallocate their resources to diversify their income streams into related business activities. This strategy can also lead to increased revenues and profitability.

The final recommendation is that small business owners in the music recording industry can adopt vertical integration strategies, particularly backward integration such as producing their music. This strategy may help to reduce operating costs, leading to profitability. The findings of the study will be shared with the CMOs in the West Indies, as well as other BSOs so that they may educate their members and clients about the strategies that small business owners in the music recording industry can use to ensure profitability in the face of digitization.

Recommendations for Further Research

I conducted a qualitative multiple case study on the strategies small business owners in the West Indies music recording industry use to adapt to business model innovation to ensure profitability. I used a sample size of five participants and the conceptual framework of the theory of disruptive innovation to analyze the findings. One recommendation for further research is that researchers should consider using a research methodology other than a qualitative case study design to see if other profitability strategies emerge from those kinds of studies. As one of the delimitations of this study was geography, another recommendation would be that researchers conduct further studies beyond the West Indies, perhaps beginning with the wider Caribbean region. Researchers may also conduct studies using a different conceptual framework to explain the phenomenon. A larger sample size may also produce different results that may be

more generalizable. Researchers should, therefore, conduct additional studies using larger sample sizes.

The music industry has three parts: music recording, music publishing, and live music performance. As this study focused on the music recording industry, other researchers may want to consider conducting studies emphasizing the other parts of the music industry: music publishing and live music performance. As reflected in this study, the three parts do not operate independently. Of interest with the additional studies would be whether the interlinkages among the three parts are similarly prominent as it was in this study on the music recording industry. Additional qualitative studies may also help to identify more strategies small business owners in the music recording industry in the West Indies use to ensure profitability beyond those strategies identified in this study.

Reflections

Despite the many challenges I faced funding my doctoral journey, the experience was quite an interesting and rewarding one. Developing the literature review was time-consuming and labor-intensive, but helped me form the conceptual framework with which I analyzed the data collected. While I explained the purpose of the study and that all information the participants provided would be kept confidential, the participants were reluctant to share their financial information with me. Participants had to confirm their profitability when asked before I could select them to participate in the study. Nevertheless, observing the participants and interviewing them provided rich, in-depth data for me to answer the research question.

I thought it would have been difficult to get participants to agree to speak to me given that May to August is one of their busiest times of the year, but five of them agreed to do the interview. During the interviews, participants were willing to share information about the industry and how they adapted to digitization. All the participants exuded passion about their craft when they spoke and seemed eager to share any additional information I may have needed beyond the interviews.

I had a few biases before the data collection process started, but I set my biases aside and soon came to understand the music recording industry differently. As much as digitization presents new opportunities for artists and musicians to generate income, the current model alone cannot sustain an artist. The artist or musician must seek alternative means of generating revenues to remain viable in the music recording industry. Generally, it was a worthwhile experience, and I look forward to sharing the results of the study with the participants and other relevant music recording industry stakeholders.

Conclusion

The music industry in the West Indies has the potential for growth and to contribute to the region's GDP. The introduction of digitization has posed several challenges to those operating in the music recording industry resulting in small business owners not understanding how to take advantage of the opportunities that digitization presents. Based on the conceptual framework, the theory of disruptive innovation, when facing disruption, small business owners in the West Indies music recording industry, continue to invest in established businesses or sustaining innovations where they perceive a competitive advantage. In the music recording industry in the West Indies, this reaction

is no different. Where small business owners have a competitive advantage in live performances, they focus on generating revenues from live performances, particularly international tours and shows.

However, the findings of the study also indicated small business owners in the West Indies music recording industry should focus on marketing and building their brand, adopting the innovations as they emerge in all relevant functions of the business, diversifying their income streams, and adopting vertical integration strategies. Business model innovation is not one-size-fits-all in the music recording industry in the West Indies. Small business owners must understand their environment and what works best for their business model to generate income and profitability. Small business owners in the music recording industry must then adapt their business models accordingly.

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Appendix A: Interview Protocol

<table>
<tr><th colspan="2">Interview Protocol</th></tr>
<tr><th>What you will do</th><th>What you will say—script</th></tr>
<tr><td>Introduce the interview and set the stage</td><td>Good day and thanks for agreeing to participate in this study.

You were invited to participate in this study as a small business owner of a company in the music recording industry in the West Indies that has been profitable since the introduction of digitization.

The interview is scheduled to last no more than one hour. I will ask you several questions with the aim of understanding the strategies you use to be profitable during the digitization period.

To supplement my note-taking I would like your permission to audio-record our interview today. This recording will help me to recall and analyze the data later on. Is that OK with you? Any data I collect will be kept in a safe place and destroyed after 5 years.

I would also need you to sign the informed consent form before we proceed.</td></tr>
<tr><td>Present participant with the informed consent form and explain the articles in the form</td><td>Here is the informed consent form. I will go through its contents with you so that you fully understand what it entails. (After explaining the informed consent form) do you have any questions before we proceed?</td></tr>
</table>

• Ask questions according to guide • Watch for non-verbal queues • Paraphrase as needed • Ask follow-up probing questions to get more in-depth	1. What role do you play in the music recording industry? 2. How would you describe your music recording industry's business model? 3. What effects does your business model have on your company? 4. What strategies did you use to respond to the changes in the music recording industry's business model to ensure profitability? 5. How have you assessed the effectiveness of your strategies for adapting to business model innovation? 6. How have your strategies affected your business profitability? 7. What additional information would you like to add about adapting to the changes that occurred in the music recording industry?
Wrap up interview thanking participant	Thank you for your time and sharing your insights with me. Your responses will be useful to understand the strategies small business owners and managers in the music recording industry in the West Indies use to adapt to digitization to be profitable. As a next step, I will transcribe the interview and analyze the data. I will share a summary of our discussion with you so that you may verify its accuracy as well as my research findings.

Appendix B: Site Proposal

Dear (Business Leader),

I am a doctoral candidate in the Doctor of Business Administration program at Walden University studying the strategies small business owners in the music recording industry use to be profitable in the era of digitization. I obtained your contact information from a collective management organization and would like to have a short chat with you to discuss this study. Please see the brief overview of my proposal below.

Proposal

I would like to conduct a study of your company on the strategies that you use to adapt to digitization to be profitable. My research approach will include conducting an interview while observing you and reviewing some of your financial records to determine profitability trends. After the interview, I will provide you with a summary of your responses and my observations during the interview as well as a summary of my interpretations of your financial records. You will be requested to review the summaries provided and verify them for accuracy.

Process—Time

I would like to schedule one hour for the interview at a place and time that works for both of us. The review of the summaries that I will provide you after the interview should not take you more than 1 hour.

Outcomes

For the past 2 years I have studied the literature and identified some of the most successful practices to improve firm performance. Upon completion of my study, I will share a summary of my study results and suggestions with you that may provide additional strategies to improve profitability further. I will also provide you with a copy of my complete study that will be a detailed non-partial third party overview of company's best practices.

Ethical Considerations

As per my university's institutional review board (IRB) requirements, I will use code names in my study and any publications emerging out of my study to protect the company and employee identities and promote confidentiality.

Contacts and Questions:

If you are interested in participating in this study or learning more about it, you may contact the researcher, Jeanelle Murray-Noel, at xxx-xxx-xxxx or researcher@waldenu.edu.

Appendix C: Observation Protocol

Date: ____

Time: ____

Length of Interview: __________________ minutes

Site: ____

Participant: ____

Descriptive Notes	**Reflective Notes**
Physical Setting: Visual Layout	Reflective Comments: Researcher’s interpretations
Description of Participant	Observations of non-verbal behaviors: Researcher interpretations
Interview Questions: Quotes 1. What role do you play in the music recording industry? 2. How would you describe your music recording industry’s business model?	Observations of non-verbal behaviors: Researcher interpretations

3. What effects does your business model have on your company? 4. What strategies did you use to respond to the changes in the music recording industry's business model to ensure profitability? 5. How have you assessed the effectiveness of your strategies for adapting to business model innovation? 6. How have your strategies affected your business profitability? 7. What additional information would you like to add about adapting to the changes that occurred in the music recording industry?	
Unplanned events	Observations of non-verbal behaviors: Researcher interpretations