

Career development in the music sector Insights on financial decision-making

Creative Entrepreneurship seminar

Timișoara, 30th of May, 2023

Roderick Udo







2-5 August

NEVERWORLD

Hever, Kent

Bastille / Clean Bandit

Declan McKenna / Tom Grennan

We Are Scientists / Jeremy Loops / Rae Morris

Hollie Cook / Hudson Taylor / Keston Cobblers Club

Estrons / The Lottery Winners / GIRLI / whenyoung / Elvana: Elvis fronted Nirvana

The RPMs / LUCIA / The Ninth Wave / Airways / Pink Kink / Honey Lung / Forever Cult / Wolf Note / The Scruff

Ferris And Sylvester / The Islas / Lissy Taylor / Call Me Loop / Lady Bird

BBC Music Introducing in Kent

Maraki Records
My Nu Leng
Ft. Dread MC
Bushbaby
Barely Royal

Ram Records
Sub Focus
(DJ Set) Ft. MC ID
Chords
Bensley
Harriet Jaxxon

Percolate
Denis Sulta
Hammer
Krywald & Farrer
Raw Silk

And Hundreds More Bands and DJ's

A Spectacular Kingdom of Music, Party and Arts

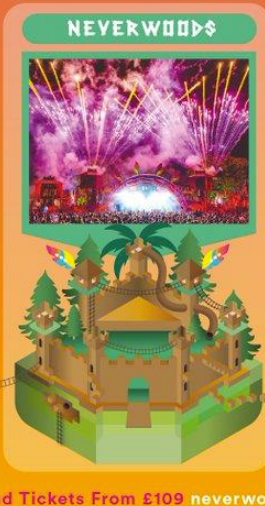
24hr Parties / Beach Parties / Burlesque / Cabaret / Campfires / Cinema / Circus Sideshows / Cocktails / Comedy / Craft Beers / Drag Club / Glitter Wrestling

Goldmine Rave / Hot Tubs / Kids Activities / Magic / Paint Fights / Retro Gaming / Spoken Word / Street Food / UV Raves / Wellness / Workshops

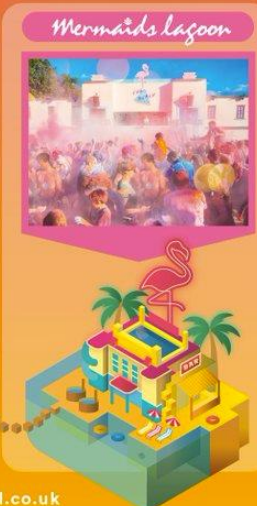
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Skull Ridge



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of Music & Arts

South East London Countryside



DELPHIC // NOISETTES THE SKINTS // LONDON GRAMMAR STANTON WARRIORS

KING CHARLES / FRIENDS / CLEAN BANDIT / MAN LIKE ME
AUDIO DOUGHNUTS PRESENTS: DARK SKY + MELE / NO ARTIFICIAL COLOURS
LULU JAMES / THE OTHER TRIBE / PUBLIC SERVICE BROADCASTING / FICTION
STERLING SHEEP / TO KILL A KING / THUMPERS / CONCRETE KNIVES / WALL
HACKNEY COLLIERY BAND / STORY BOOKS / KESTON COBBLEERS CLUB
ELIZA & THE BEAR / WONDERLAND PRESENTS: ITCHY & SKRATCHY DJS
STAGECRAWL / SPRING OFFENSIVE / TROUMACA

BY THE RIVERS / MISTY MILLER / THE TITLE SEQUENCE / ALL WE ARE / HATESY / PUSHERMAN
JESSE JAMES / RATTUS RATTUS / SAH'S HOUSE PARTY / I KILLED KENNY / KETOLOCO DJS / UNAI TROTTI
SOULCYCLE / LAZY TALK / BENNY DIGITAL / PRONTO / CABLE STREET COLLECTIVE / CRUSHED BEAKS
THROWING UP / PROFESSOR PENGUIN / HELLA BETTER DANCER / PHILLIOUS WILLIAMS / ABI WADE
SALT ASHES / BORDERAUXXX / VICTORIA & JACOB / YOUNG ROMANCE / JOSHUA IDEHEN

TALL TALES / HELLO MEXICO / CHARLES ANONYMOUS / PATCH & THE GIANT / JON MILLS / THE LOST CAVALRY / ABIGAIL HUBBARD
LUCY CRIT / SEA STACKS / DANNY TOEMAN / THE RUBY KID / SOPHIE JAMIESON / JON MILLS / EXPERIMENTAL X-PLIVE
MARY MISS FAIRY / NO LIMIT STREET BAND / RHOJIS (EYPSY DISCO) / WOODY / CLARKIE / MEDMOWN & MC AGMAN / HOWSON'S
GROOVE / EKIM / MR BUGH / HEADSTOCK MARCH HARE / DISCO DUMMOORE / IMO LOVES DICK / MISS WHITE RABBIT / BENCHMARK

ELEMENTUM / KING MIX A LOT / SLY FOX / J.RAVENS / BOLZANGER VS PRAMPELMOUSSE
ULTRASOUNDS ACAPPELLA CAMPFIRE SONGS / SOUL OF THE 60'S MOTOWN AND SOUL DISCO

THE MEYER DANCERS 1960'S GOGO DANCERS / BBC INTRODUCING / SWING PATROL DANCE CLASSES AND BLUES MUSIC
APPLES AND SNAKES SPOKEN WORD / DISSOCIA SPACE HORSE / ANNEKE MAGAZINE POETRY AND LIVE ILLUSTRATION
SIMPLY THE JEST THEATRICAL COMEDY / I MAKE BRANDS FUNNY WITH MAX DICKINS COMEDY / TICKLED PIG COMEDY
WHISTLESTOP THEATRE PRESENT A MIDSUMMER NIGHTS DREAM / SHELLSUZZOMBIE INSTALLATION ART TAKEOVER

EVERYTHING IS CONNECTED ARTS AND CRAFTS / NIGHT BEAR FOTO LIGHT ART / UNION WORKS CINEMA

PENG PONG PING PONG CHAMPIONSHIP FREESTYLE MAGAZINE FRISBEE LESSONS & GAMES

MUSICAL BINGO GAMES / THE PEOPLE'S MAGICIAN MAGIC

WONDERLAND PAINT FIGHT & GLITTER WRESTLING

'Best Independent Festival'

- 2019 AIM Awards

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AND 14TH
JULY

£70

1. Objective

To explore the determinants of (financial) decision-making behaviour of popular music artists and their managers

Objective

In other words:

**I will talk to you about my research on:
music, business, success, financing,
the decisions of individuals**

2.

Finance & music....really?



A sellout

Is someone who becomes a hypocrite

In the name of money

An idiot

Is someone who lets their education

Do all of their thinking

Fontaines D.C. – Chequeless Reckless

The creative entrepreneurship debate

entrepreneurship

noun ,ɒn.trə.prəˈnɜː.ʃɪp

skill in starting new businesses, especially when this involves seeing new opportunities

Cambridge Dictionary

the activity of making money by starting or running businesses,

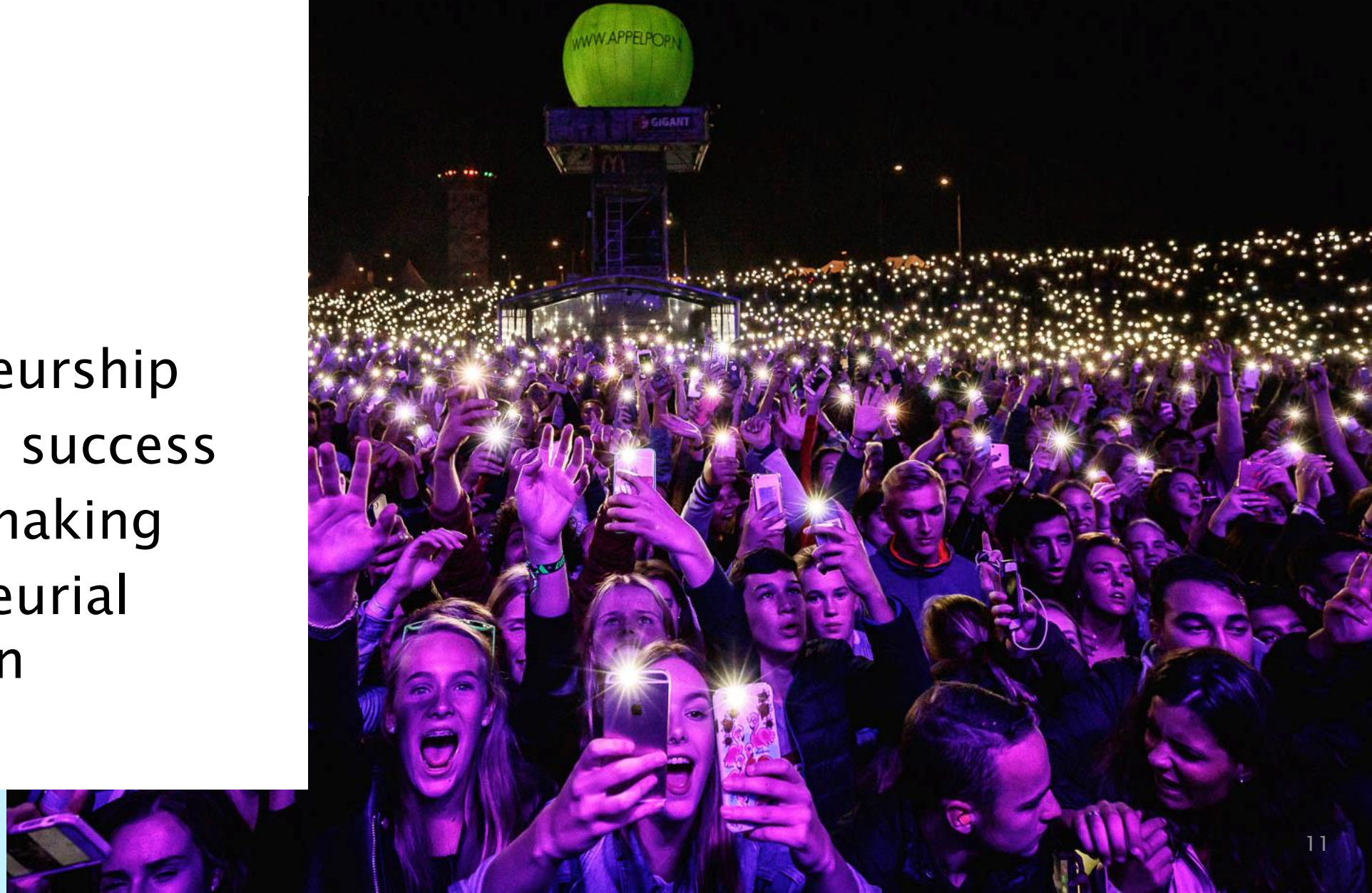
especially when this involves taking financial risks; the ability to do this

Oxford Learner's Dictionary



Some key themes

- Defining entrepreneurship
- Measuring success
- Decision making
- Entrepreneurial Orientation



What do I mean by financing?

investment

vs.

income

[https://www.researchgate.net/publication/350383207_Making_Music_Money - A quick investment guide for music artists and managers](https://www.researchgate.net/publication/350383207_Making_Music_Money_-_A_quick_investment_guide_for_music_artists_and_managers)

MAKING MUSIC & MONEY
A QUICK INVESTMENT GUIDE FOR ARTISTS AND MANAGERS

A CAREER IN MUSIC IS ABOUT CREATION. BUT TO SPEND TIME CREATING, YOU HAVE TO PAY YOUR BILLS.
You are not a finance expert, so this guide helps you ASK THE RIGHT QUESTIONS

Some Basic Principles

Income from an artist career depends on two things: revenues and investment. Revenues are royalties, live fees and merch income.

HOW MUCH OF THE REVENUES YOU CAN KEEP YOURSELF, DEPENDS ON YOUR INVESTMENT METHODS.

Investment is about risk and return: the higher the risk, the more an investor needs back from you.

Investment Sources

Have you thought of all of these financing sources? Some might make it possible to spend more time creating, because a larger part of revenues is yours to keep or because they are less restricting than the sources you currently use.

Creative Considerations	Sources	Planning Process
<p>CREATIVE FREEDOM Creativity can be impacted by contract terms (publisher, label, sponsoring), by feelings of pressure to repay or reward (family, IP-based, crowd) or by a lack of money (bootstrapping, retained earnings).</p> <p>VERY HIGH ++ HIGH + POSSIBLY RESTRICTING - RISK OF CLASH CREATIVE-COMMERCIAL --</p> <p>REPUTATIONAL EFFECTS Reputational advantages can include network connections, brand association and fanbase development.</p> <p>POSSIBLE REPUTATIONAL ADVANTAGES + NEUTRAL, NO SPECIFIC EFFECT - TOO MUCH CAN SLOW DOWN YOUR DEVELOPMENT -- CAREER IMPACT HIGHLY UNPREDICTABLE ---</p>	<p>SHORT-RUN FINANCING In urgent need of cash</p> <p>++ -- SHORT RUN BANK CREDIT - - ++ BOOTSTRAPPING - - ++ RETAINED EARNINGS</p> <p>MEDIUM-RUN FINANCING Planning an album-release or tour</p> <p>- - ++ BOOTSTRAPPING - - ++ RETAINED EARNINGS ++ ++ PROJECT SUBSIDIES + + + THE CROWD - - ++ SPONSORING ++ + LIVE AGENT - - - IP-BASED: PUBLISHING + + - IP-BASED: RECORD LABEL</p> <p>LONG-RUN FINANCING Planning ahead for the next few years</p> <p>++ -- STRUCTURAL SUBSIDIES ++ -- LEASING + + + FAMILY LOANS + + - ANGEL INVESTORS ++ - BANK LOAN</p>	<p>STEP 1 PERSONAL GOALS What do the next 2 years look like for you individually? Buying a house, getting kids, finishing studies? What makes you happy?</p> <p>STEP 2 FUNDING NEED What does your music act need money for in the next 2 years? (recording, live production, writing, etc.)</p> <p>STEP 3 INVESTMENT SOURCES Familiarise yourself with all financing options. Of course you can't understand all the details. Write down questions for discussion and advice.</p> <p>STEP 4 A PROPER DISCUSSION Discuss individual ideas with everyone involved. Match personal needs, creative plans and financing options. Any opportunities for joint financial planning with other acts under the same management? Any input from the accountant?</p>

Financial Considerations

FINANCIAL COST
The higher the cost, the smaller the share of revenues going to the artist.

NO DIRECT COST ++
LOW COST +
MEDIUM COST -
RISK OF VERY HIGH COST --
VERY HIGH COST ---

BOOTSTRAPPING? DON'T GET TIED UP!
Bootstrapping in financing comes from "pulling up your own bootstraps". It means financing your activities without external investment. Artists can bootstrap by investing personal savings, cutting costs in the project budget, and by jointly utilising resources with other acts (for example looking for deals on nightclubs or tech production for several artists together). Bootstrapping can be a sensible way to facilitate career steps, but some times it limits growth.

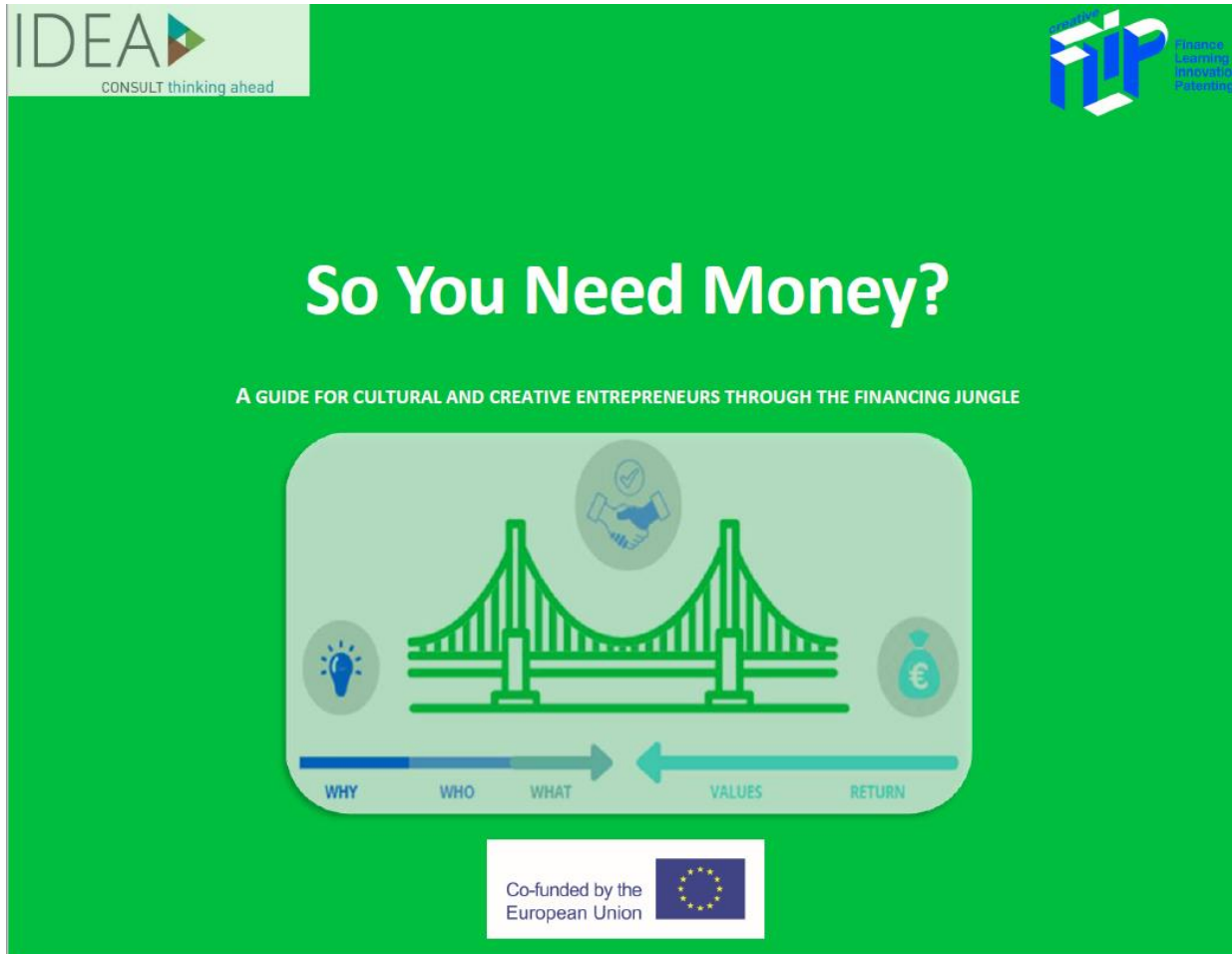
INTELLECTUAL PROPERTY? HARVESTING THE FRUITS OF YOUR CREATIVITY

SUBSIDIES? ASK FOR HELP!
Subsidies are available to increase artists' income potential and/or to facilitate the creation of content with high creative value. A sensible way to cover costs you would have to make anyway, available for starting and established artists. Finding application procedures complicated? Call the fund and ask for help. Most have dedicated advisors ready to support your! Support funds for culture can be national, regional or local.

THE CROWD? THEY WANT YOU!
Many artists and managers think crowdfunding is not cool. But what if you look at it as a

DYNAMIC SOUND
DYNAMIC SOUND

Another interesting tool



<http://creativeflip.creativehubs.net/>

http://creativeflip.creativehubs.net/publications/Creative%20FLIP_So%20You%20Need%20Money%20Guide_WP1%20Finance.pdf

3.

Moving away from 'balance sheet thinking'
Decisions of individuals

Entrepreneurship

**Musicians, music students:
money, profit-seeking, commercialisation**

(Haynes & Marshall, 2018; Schediwy et al., 2018)

**Schumpeterian:
carrying out new combinations, innovation,
taking opportunities**

(Schumpeter 1911, 1934)

From balance sheet to peoples' decisions

Change of focus in entrepreneurship theory

**Key thought: in real life
decision-making of human beings
determines outcomes. Not rational,
profit-maximizing calculations.**

Financing preferences vs. financing practices

Why do artists choose certain financing sources?

*‘I asked our agent and he said: “You are signed with a quality record label and the biggest agency in the country, you are not going to use crowdfunding, are you? You have a good team, and **with crowdfunding you would kind of be in the B-league, you have to be in the A-league**”. That might be a bit of a strong statement, but we have not seen good examples of acts that did it well’*

[reputation, signalling]

Why do artists choose certain financing sources?

*'At that moment [of quick growth] we needed money so a record label advance was very welcome. But just briefly after we signed away rights in a record deal, we learned that we had received a subsidy for the debut album. Because of that subsidy, [...] we would have kept more of the copyright for ourselves. **At the moment we had to decide, we did not have enough information about the subsidy.***

[capital need: size & urgency!]

Why do artists choose certain financing sources?

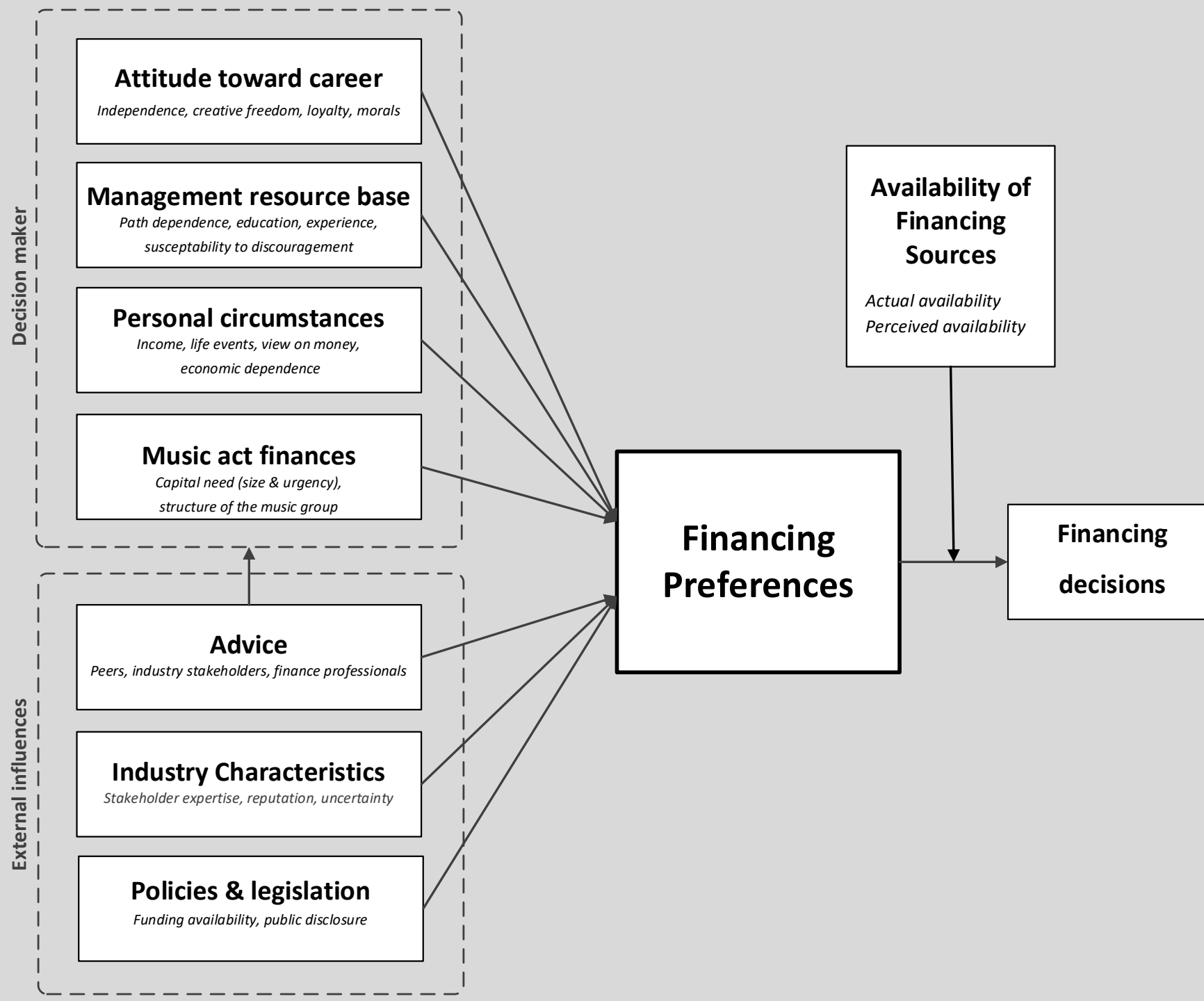
*‘For them, **incentives around money are very different** from what they are for you and me. They never want to run the risk of being hungry and short of money again in their lives, which strongly influences their choices.’*

[lifestyle / meaning of money]

Why do artists choose certain financing sources?

*‘The record company has been so important in our career, **we just have to stay loyal** to them. It has to be financially extremely unfavourable for us to leave. It feels very much **like the football team I support**. And the people at the record company gave us so much self-confidence; that is priceless.’*

[loyalty/morals]



Path Dependence Personal Circumstances Signaling & Reputation

3 of the key findings from our study

4. Entrepreneurial Success

Task:

**write down as many words as you can
think of to define
entrepreneurial success
[2 minutes]**

Entrepreneurial success

from profit / ROI to....

sales & market share growth, # of employees
innovativeness, independence, autonomy, social
contribution, personal fulfilment, work–life
balance, public recognition

(overviews, among others: Fisher et al., 2014; Gorgievski et al., 2011; Reijonen & Komppula, 2007; Wach et al., 2016, 2020)

Subjective entrepreneurial success – achievement scale

(Wach et al., 2015, 2020)

Firm performance

Workplace relationships

Personal fulfilment

Community impact

Personal financial rewards

Name	Location
SXSW	Austin (USA)
CMW	Toronto (Canada)
The Great Escape	Brighton (UK)
Reeperbahn	Hamburg (Germany)
Eurosonic	Groningen (Netherlands)
SPOT	Aarhus (Denmark)
BigSound	Brisbane (Australia)
Live at Heart	Örebro (Sweden)
MaMa	Paris (France)
Iceland Airwaves	Reykjavik (Iceland)
Liverpool Sound City	Liverpool (UK)
by:Larm	Oslo (Norway)
Waves Vienna	Vienna (Austria)

International Music Survey 2021

Showcase festivals / conferences with over 100 performances

3,852 performing acts, 3131 contacted, 445 respondents, of which 57 dropped, 215 completed (5.6% of population)

Managers and artists, across genres, countries and income levels

Item	Question	Component			
	How successful have you as a music act been in the past 2 years in achieving the following aspects?				
		1	2	3	h ²
PERFO1	Profitability of the act	0.879	-0.021	0.037	0.799
PFIN1	Personal income growth	0.867	0.018	0.029	0.796
PERFO3	Profit growth (of the act)	0.815	-0.104	0.039	0.650
PFIN2	Personal financial security	0.781	0.063	-0.051	0.601
PFUL2	Personal development	0.019	0.732	-0.026	0.529
RELA2	Satisfaction of individual members of the act	0.157	0.654	-0.104	0.456
PFUL3	Ability for the individual artists to make own decisions	-0.072	0.652	0.037	0.415
RELA3	Supportive culture between members of the act	-0.126	0.602	0.064	0.353
IMPAC4	Performing at top festivals & venues in own country	0.008	-0.192	0.834	0.593
IMPAC1	Public recognition through awards or positive reviews	-0.013	0.053	0.720	0.543
IMPAC2	Good reputation of the act – nationally	0.092	0.160	0.602	0.565
IMPAC3	Good reputation of the act – internationally	0.039	0.198	0.452	0.355
		eigenvalues	4.914	1.886	1.161
		% of variance	40.950	15.718	9.675

Notes: Extraction Method: Exploratory Factor Analysis (principle axis factoring). Rotation Method: Promax with Kaiser Normalization. Rotation converged in 5 iterations. The eigenvalue of the fourth, unretained factor was .755

3 components of music act entrepreneurial success

Wach et al. (2020) SES-AS:

- Firm performance
- Personal financial rewards
- Workplace relationships
- Personal fulfilment
- Community impact

My findings, music sample:

- Economic performance
- Pursuing creative interests
- Recognition

5. Entrepreneurial Orientation

Entrepreneurial Orientation

**a strategic construct that captures a
firm's entrepreneurial
strategy-making practices, management
philosophies, and behaviors**

Innovativeness, proactiveness, risk-taking

Miller (1983) and Covin and Slevin (1989)

In general, in our music act we...	
INN1b	<p>stick to the established sound and live show types of our genre</p> <p>are leading and innovative in developing new sounds and/or live shows</p>
When confronted with decision making situations involving uncertainty, my music act typically adopts...	
RIS3	<p>a cautious “wait and see” posture in order to minimize the probability of making costly decisions</p> <p>a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities</p>
In general, with this music act we...	
PRO3	<p>embrace the sounds and ideas already existing in our genre (when releasing new music)</p> <p>have a strong tendency to be ahead of others in the same genre in introducing novel sounds and ideas</p>

Next steps...

Estimating **latent variables** using Partial Least Squares – Structural Equation Modeling (PLS-SEM):

- Entrepreneurial Orientation – performance relation
- Role of financing preferences

Development of evidence-based practical (teaching) tools



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IMPACT YOUR FUTURE