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Financing Preferences of Individual Entrepreneurs: Music Careers in the Spotlight

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Abstract. The production of popular music provides an interesting case for studying the role of individuals in financing decisions. Intellectual property takes a central position in music entrepreneurship, with a digital transformation to music streaming impacting the sector. Decision-making is a joint process between managers and artists, and self-employed creatives are of growing importance for economic development. However, detailed data on financing decisions of individuals is scarce. In this study, we qualitatively identify and explain the financing preferences of musicians and their managers at or around career-defining moments. We used Atlas.ti to code interviews with 39 music artists and managers in Belgium, the Netherlands and Norway. The data shows that the financing preferences of participants are shaped by industry-specific uncertainty and decision-influencing attributes such as life events and economic dependence. In the industry-specific context, we confirm and elaborate on existing theoretical explanations around path-dependence, personal circumstances, signalling, the role of advice, discouragement and the resource-based view.

Keywords: financing preferences, SME finance, Music business, path dependence, resource-based view.

JEL classifications: G41, L26, L82, O16, Z10

1. Introduction

Access to resources is considered a challenge to creators of cultural and creative content (European Union, 2013; 2016). Investments increase the possibilities for artists and cultural businesses to create, distribute and perform music, through the availability of both financial means and other resources such as network and

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expertise. Therefore, in economic terms, the availability and use of financing sources affect the capacity to produce and supply cultural and creative goods and services (Borin et al., 2018). Existing research on entrepreneurs in the cultural and creative industries (CCI) provides valuable insights into costing and pricing models, intellectual property, changing business models and digitalisation (Hughes et al., 2016; Towse, 2017; Wikström & DeFillippi, 2016). Income rather than investment takes a central place in such research. Regarding the investment side of cultural and creative supply, useful insights are offered by studies on specific financing sources, such as public funding (Dalle Nogare & Bertacchini, 2015), crowdfunding (Mendes-Da-Silva et al., 2016; Shneor et al., 2020) and patronage (Regner, 2021). However, it remains unclear whether cultural and creative producers prefer certain financing sources and what determines the mix of financing sources they use. Financing decisions can impact both the capacity to create and, through financing costs, the income of individual creators. Existing studies on entrepreneurship in the CCI conclude that more research is needed on CCI financing patterns (Borin et al., 2018; European Union, 2013; 2016; Konrad, 2015).

This study aims to develop insights into financing decisions of music artists and their managers. Financing is a challenge for small and medium-sized enterprises (SMEs) in general (Beck & Demirguc-Kunt, 2006; Masiak et al., 2017). The literature on the financing of SMEs contains findings on the determinants of financing choices of individuals. These include cognition and perceptions of the owners or managers of a firm (Fraser et al., 2015; Wong et al., 2018), their gender, education, experience (Irwin & Scott, 2010; Ko & McKelvie, 2018), the profitability, size, age and growth orientation of the firm (Cosh et al., 2009). Studies on SME financing can therefore potentially provide useful insights for music sector policymakers, practitioners, researchers and educators. Studying music artists can at the same time potentially elaborate on findings from the SME financing literature by providing evidence from an industry-specific context.

The term *music sector* or *music industry* refers to the interrelated sectors, or industries respectively, of live music, music publishing and recorded music (Wikström, 2020). Although commonly used in the singular (e.g. the *music industry*), a plural term – the *music industries* – is increasingly used to highlight the plurality of the industry and its stakeholders (Nordgård, 2018; Williamson & Cloonan, 2007). Popular music is difficult to define without entering the fields of popular music studies or musicology (see Frith (1988), Middleton (1990) and Shuker (2016) for discussions regarding definitions). When this study refers to *popular music*, music with the following characteristics is meant: a hybrid of musical traditions, styles and influences, which can be mass-produced for a mass-market (or specific niches of this mass market) as an economic product with ideological significance for many of its consumers, as created and performed by contemporary musicians since the 1950s, with at the heart a fundamental tension between the essential creativity of the act of making music and the commercial nature of the bulk of its production and dissemination (Shuker, 2016, p. 7). The solo performers or groups of performers who write and/or perform popular music, often under an artist name, are referred to as *(solo) musicians* or *music groups* respectively. We also speak of *music artists* if we refer to such performers in a more general sense.

The music industry provides a particularly interesting case for studying financing preferences in times of change, because of the change in business models as a result of digitalisation in recent decades and because of the central position of intellectual property (IP) in the sector (Nordgård, 2017; Nordgård, 2018; Tschmuck, 2012).

A growing body of research exists on SME financing (Bellavitis et al., 2017; Moritz et al., 2020; Miglo, 2022). New instruments and suppliers have emerged, existing methods have evolved and it has become common practice to create a mix of different financing instruments for one investment goal (Block et al., 2018; Cowling et al., 2020; Fraser et al., 2015). An increasing interest in the role of decisions and preferences in SME financing creates a challenge around the availability of data. What shapes the preferences of a firm can only to a limited extent be measured using the available quantitative data about the firm in question, such as financial statements and the existing surveys on SME financing (Fraser et al., 2015; Kent Baker et al., 2020). Some promising insights have been obtained from data sources such as surveys on the access to financing of enterprises (Ferrando & Mulier, 2015; Moritz et al., 2016). Nevertheless, more detailed information is needed on founders and owner/managers and on the reasons for selection or avoidance of forms of financing (Cumming et al., 2019; Fraser et al., 2015).

Data availability also poses a major challenge to studies on financing decisions of entrepreneurs in the music industry. In the music industry, value-generating activities often take place in the form of joint projects of creatives, which are either registered as non-profit legal entities or combinations of people who are all individually registered as self-employed. Musicians or artists are difficult to find in business statistics databases, but the fact that many individuals who are part of music groups or have artist careers are statistically self-employed does not mean that planning and decision-making are exclusively done by an individual (Hughes et al., 2016; Morrow, 2018a).

Because detailed information on the financing of music careers is hard to obtain from existing data, this study was designed around 39 interviews with music artists and managers. This study aims to qualitatively identify and explain patterns in preferences concerning the use of financing sources by music artists, thereby elaborating on existing literature on the matter. It does so by addressing the research question: 'Which factors affect the financing preferences of popular-music artists and their managers?'. The measurement of financing patterns of individuals on the supply side of the music industry is relatively uncharted territory. For this reason, the study was not designed to draw large-scale conclusions for policy and practice, but rather to enrich general frameworks obtained through SME finance studies, by exploring what moves decision-makers as regards careers in music. The study provides a basis that may be of use for future data collection by means of elaborating on SME finance theory in the specific context of the music industry.

This paper is organised into seven sections. Following this introduction, a theoretical background is provided regarding SME financing. The third section provides context on the music industry. The fourth section outlines the methods and research design. This is followed by a description of the key findings. The final two sections provide a discussion and conclusions regarding the impact and limitations of the findings.

2. SME Financing

Research on SME financing started with a capital structure perspective, using frameworks such as financial pecking order theory (Myers & Majluf, 1984; Myers, 1984), static trade-off theory (López-Gracia & Sogorb-Mira, 2008; Myers, 1984) and growth cycle theory (Berger & Udell, 1998). Capital structure studies aim to describe and explain how a firm is financed, i.e. the information presented on the balance sheet. This is also defined as *financing practices* (Kent Baker et al., 2020). The small body of work available on financing in the music industry builds on this capital-structure perspective (Borin et al., 2018; Konrad, 2015). The perspective of decision-makers inside companies is gaining attention in SME finance research (Fraser et al., 2015; Kumar & Rao, 2015). Instead of explaining the financing practices of a firm, the focus lies on the financing preferences of individual entrepreneurs, those preferences resulting in the level and type of debt or equity on the balance sheet as well as in non-financial input into the business or project. The theoretical fundament that is presented in this section incorporates both practices and preferences, with a focus on the latter.

2.1. Financing Practices

Business owners or managers can choose external financing, in the form of debt and equity, or internal financing, in the form of retained earnings, to facilitate the firm's activities (Myers, 1984). The distinction between internal and external sources of financing is a key element of pecking order theory, which predicts that firm owners or managers follow a pecking order of financing sources (Myers, 1984). Internal funds are first in this hierarchy, followed by debt, hybrid securities and, as a last resort, issuing new equity. The rationale behind this pecking order is that information asymmetries result in higher costs of external investment. The management is considered to have more information about the value of the firm than potential investors (Myers & Majluf, 1984), who want to be compensated for the risk they run as a result of limited information availability (Cumming et al., 2019). Closely related to pecking order theory, the growth cycle theory was developed, stating that experience is gained and firms become less informationally opaque as a firm grows, which means the financing structure and options change over time (Berger & Udell, 1998; Gregory et al., 2005). Pecking order theory contrasts with the alternative explanation for a firm's capital structure based on a static trade-off between the benefits and costs of attracting additional debt finance (Myers, 1984; Shyam-Sunder & Myers, 1999). Of the three theories, most evidence in the SME context points towards a financial pecking order (Cassar & Holmes, 2003; Cosh et al., 2009; Mina et al., 2013). Nevertheless, studies that find a form of pecking order in SME financing show that information asymmetries only explain part of the observed financing pattern (Fraser et al., 2015). There is growing empirical evidence for the relevance of other factors determining the pecking order of SMEs (Fraser et al., 2015; Kumar & Rao, 2015; Moritz et al., 2016). Alternative explanations concern preferences of individuals.

2.2. Explaining Financing Preferences

A growing number of studies on SME financing aim to explain the preferences of entrepreneurs and firm managers in order to analyse financing patterns. Six categories of influences on financing preferences can be identified in studies on SME financing: owner-manager attributes, firm characteristics, industry characteristics, country characteristics, the available financing sources and the current capital structure (Block et al., 2018; Kumar & Rao, 2015; Moritz et al., 2016). Recent studies on the demand side of SME financing are rooted in several theoretical strands of literature: discouraged borrowers (Cowling et al., 2022; Kon & Storey, 2003), signalling (Ahlers et al., 2015; Connelly et al., 2011; Leland & Pyle, 1977) and (path) dependency (Owen et al., 2019; Teece, 2007). Empirical studies find evidence for all of these theories and frameworks in SMEs. Studies that aim to explain financing preferences instead of general capital structure patterns are generally based on data about one financing source or about a single factor (Belleflamme et al., 2014; Hsu, 2004; Wong et al., 2018). Studies that made use of crowdfunding data (Agrawal et al., 2014; Gerber & Hui, 2013) identified e.g. fears of public failure, risks related to publicly exposing company information, and the time and resources needed to run a crowdfunding campaign as potential reasons for creators or business owners to avoid this financing source. At the same time they identified benefits drawing creators or business owners towards crowdfunding: maintaining control, raising awareness for their product/service, and forming connections. Non-financial benefits from using a financing source can also be found in evidence from venture capital data. Entrepreneurs are drawn towards venture capitalists because of the added value in terms of experience, network and direct assistance that investors can offer (Hsu, 2004). Neeley and Van Auken (2009) found that differences in education, age and gender of the decision-maker are related to different levels of bootstrapping, which includes owner financing, minimising accounts receivable, joint utilisation, delaying payments, minimising investment, and subsidy finance (Vanacker et al., 2011). In a study on the specific influence of owner-managers' personal objectives, Wong et al. (2018) concluded that the more owner-managers were led by a desire to be in control and by life events such as health and family commitments, the less risk they wanted to take. Less risk-taking resulted in more bootstrapping and less bank finance. Such findings show the added value of studying the motivations of individuals in such decisions to (avoid the) use of certain forms of financing for their firm or project. However, more research is needed in order to develop a broader framework for understanding how financing sources are combined and how different influences relate to each other, both in general and in an industry-specific context (Block et al., 2018; Cumming & Vismara, 2017; Fraser et al., 2015).

The present study attempts to add more detail to existing theoretical categories of influences. Before explaining the methodological approach to the study, some background information on the music industry context is provided in the next section.

3. Studying Financing Preferences in the Music Industry

The music industry is characterised by fierce competition (Woronkowicz & Noonan, 2019). It relies heavily on intangible assets in the form of copyrights and master licences (Wikström & DeFillippi, 2016). Creators and performers (referred to as *musicians*, or *artists*) create creative products and render services that are sold in two main forms: recorded music and live music (Hughes et al., 2016). Traditionally, the record companies (also referred to as record labels) were the dominant actors which most creators of music preferred to approach for selling their recorded music (Burke, 1997). However, in the first 15 years of the current century, record sales declined by over 40% worldwide (Haynes & Marshall, 2018). The new situation in the industry is described as a circular model with artists in the centre, often supported by a manager, and surrounded by a large number of other stakeholders which they can interact with (Hughes et al., 2016). Next to the manager, the three core stakeholders are the record companies, live agents and publishing companies. Unlike many self-employed workers or owners of small firms in other sectors, artists leave the core management tasks to an external stakeholder: the artist manager (Rutter, 2016). Next to that, live agents represent artists by booking live shows at music venues and festivals or by acting as a concert organiser. A record company releases, distributes and promotes music recordings, while a publishing company manages the copyrights of the songs (lyrics and compositions).

The music industry is an environment of high uncertainty (Rutter, 2016). Predicting whether 'an audience will favourably receive a creative work' (Hughes et al., 2016, p. 38) is a difficult feat. Some of the key music-related income streams are generated through copyright exploitation (Hughes et al., 2016). The most important income streams are master recording royalties (from physical and digital music sales), performance royalties (from live music performances), and synchronisation royalties (also known as *syncs*, from the use of music in visual productions such as commercials, films and computer games). Both record companies and publishers may provide advances, which are sums of money paid to the artist before the music is released (Rutter, 2016). Advances are paid in return for a share in the ownership of the music, and then recouped using the royalties earned through copyright exploitation (Towse, 2020).

Copyright and master licences are the main stores of value and sources of income. As a result, these intangible assets play an important role in music industry research (Nordgård, 2017; 2018; Tschmuck, 2012). Despite the importance of investment decisions, which indeed determine investment costs which in turn impact net income, much research on the economic side of music careers is centred around copyright issues, such as fair payment from music streaming (Nordgård, 2017; Towse, 2020). While acknowledging the relevance and importance of these directions, this study takes a different approach to the financial aspects of artistic careers. It focuses on the investment side rather than directly on the income side. Consequently, the financing preferences of individuals take a central position rather than industry developments that impact net income.

4. Method

4.1. Theory Elaboration

This study takes a theory elaboration approach (Fisher & Aguinis, 2017; Lee et al., 1999) because of the existence of general insights from the literature on finance, combined with the absence of systematic research on financing preferences in the music industry beyond studies on individual financing sources. While owner-manager, industry and firm-specific factors are found to influence the financing preferences of entrepreneurs and SME managers, it is not understood what exactly these categories of factors consist of and how conceptual models compare to the industry-specific situation of the music industry. Theory elaboration is a method suitable for contrasting pre-existing conceptual models with events in a specific context, e.g. an industry, to broaden or specify existing theory (Lee et al., 1999). Inductive and qualitative theory elaboration is suited to the study of complicated processes in which causal dynamics are not immediately apparent and in which events are difficult to disentangle (Elsbach & Kramer, 2003; Greenwood & Suddaby, 2006). Financial decision-making and the development of financing preferences are such processes. This study is therefore based on open-ended interviews with artists and managers, in which the participants' financing preferences were discussed, largely around milestones in artist careers. Participants were first asked to describe what they know about financing options and how they obtained this knowledge. Most of the time was spent discussing how self-chosen career milestones such as record releases or tours were planned and financed and why participants preferred specific financing sources. Towards the end of the interview, participants were asked to describe how they plan to finance a future record release and why certain options are preferred and others avoided.

4.2. Sample and Data Collection

The paper draws on 39 face-to-face interviews with artists and managers in the field of popular music. Both artists and managers were interviewed because decision-making in music careers is a joint process between the musicians and the managers (Morrow, 2018b; Rutter, 2016). Artist management is described as 'a form of group creativity' between music artists and their managers (Morrow, 2018a). The interviews took place in the Netherlands, Norway and Belgium between March 2019 and January 2020. This was before the introduction of large-scale policy measures that were implemented to prevent the spread of the COVID-19 virus. Participants were selected using theoretical sampling, as the purpose of the study was to develop theoretical insights (Eisenhardt & Graebner, 2007; Yin, 2011). To clarify the domain of the findings: the sample was chosen from listed performers at the major industry showcase in their area (Eurosonic for Belgium and the Netherlands, and by:Larm for Norway). Industry showcase performers are seen as the most promising acts of a certain year (Thorkildsen & Rykkja, 2022). All participating artists and at least one artist represented by each of the participating managers performed at these showcases at least once over the past ten years. The sample includes the top five most popular music genres (IFPI, 2020). Sampling from three small European music markets allowed for further variation control, at the same time allowing us to capture the impact of country characteristics. Participants from three countries were selected in line with theoretical sampling procedures (Eisenhardt & Graebner, 2007), because the different cultural policies and management structures in their respective countries can be theoretically relevant. Participants with different educational backgrounds were selected based on publicly available information (LinkedIn, media interviews) to capture the impact of education: artists with and without higher music education and managers with or without education in business-related fields. Participants with high-performing recorded and/or live music as well as financially relatively unsuccessful participants were selected. Participants with at least 5 years of experience were chosen, for them to be able to reflect on their decisions in different stages of their careers. A total of 42 people were approached; one did not respond, two indicated that they were too busy to participate, and 39 agreed to participate. Descriptions of all participants are presented in Table 1. Given the relatively small music markets in the three countries, managers and artists can easily be recognised based on their characteristics. Table 1 thus includes categories of characteristics instead of exact characteristics (e.g. ages and sub-genres), to assure anonymity.

Table 1: List of participants

Participant	Country	Age group	Education (higher education unless otherwise specified)	Years active as artist / manager	Music genre	Interview duration
Manager 1	Belgium	40-49	financial	20-29	pop, alternative/indie rock	50
2	Belgium	50-59	social sciences	20-29	pop, world music	60
3	Belgium	30-39	financial, art management	10-19	pop, alternative/indie rock	75
4	Belgium	30-39	engineering	10-19	pop	55
5	the Netherlands	50-59	music	30-39	pop, rock	55
6	the Netherlands	40-49	financial	20-29	dance, alternative, punk	65
7	the Netherlands	40-49	marketing	20-29	pop, alternative/indie rock	65
8	the Netherlands	40-49	social sciences	20-29	alternative/indie rock	90
9	the Netherlands	40-49	marketing	10-19	metal, pop, dance	60
10	the Netherlands	30-39	psychology	10-19	pop, alternative/indie rock	80
11	the Netherlands	30-39	marketing	10-19	metal	45
12	the Netherlands	30-39	social sciences	10-19	dance, drum 'n bass, rap	75
13	the Netherlands	30-39	art management	5-9	alternative/indie rock, pop, electronic	70
14	the Netherlands	30-39	art management	5-9	pop, alternative pop/rock, rap	75
15	the Netherlands	20-29	art management	10-19	alternative pop/rock	60
16	the Netherlands	20-29	art management	5-9	rap, pop-rap	60
17	the Netherlands	20-29	financial	5-9	dance	written*
18	Norway	50-59	lower secondary	30-39	pop	60
19	Norway	50-59	lower secondary	30-39	pop, rock, hip-hop	50
20	Norway	40-49	lower secondary	20-29	pop	50
21	Norway	40-49	financial	10-19	metal	40
Artist 1	Belgium	40-49	social sciences	20-29	indie pop	55
2	Belgium	40-49	social sciences	10-19	indie pop	40
3	Belgium	30-39	social sciences	10-19	pop/rock, electronic	35
4	Belgium	30-39	music	10-19	alternative rock	35
5	Belgium	30-39	marketing, financial	10-19	pop	80
6	the Netherlands	40-49	social sciences & music	10-19	alternative pop/rock	60
7	the Netherlands	30-39	art management & music	10-19	rock	70
8	the Netherlands	30-39	psychology	10-19	jazz, electronic	70
9	the Netherlands	30-39	music	10-19	pop, jazz	75
10	the Netherlands	30-39	marketing	5-9	metal	60
11	the Netherlands	20-29	music	10-19	pop, indie/alternative	80

12	Norway	40-49	law	10-19	pop	55
13			music		pop	45
14			social sciences	20-29	rock	45
15			lower secondary		jazz	45
16		30-39	music		pop	45
17			lower secondary	10-19	pop, RnB	35
18			lower secondary (music)	5-9	pop	40
*manager number 17 spent most of the research period travelling and answered the interview questions through e-mail.						

All managers in the sample are full-time managers; seven of them are self-employed, eleven form part of a management company of two to five employees (nine of which are co-founders and/or owners) and three form part of a management company that has more than five employees (all of which are co-founders and/or owners). All participating artists generate more than half of their income through their music career. All eighteen participating artists are incorporated as a legal entity, six of them as a sole proprietorship, five as a foundation (non-profit), four as a partnership and three as a limited company. The interviews were conducted face-to-face, except for those with some of the Norwegian participants, for which video calls were used because of long travel distances in Norway. On average, manager interviews took approximately 60 minutes each and artist interviews approximately 55 minutes each.

4.3. Data Analysis

With the permission of the participants, all interviews were recorded and transcribed verbatim to be able to reflect on the precise wording they used. The interviews were conducted in the mother tongue of the interviewees. Artist and manager interviews were initially analysed as separate samples, but since no structural differences were identified in influences observed and terms used in reference to the topics of interest for this study, the coding template was merged. The results in the remainder of this paper are presented as one set of results for a sample consisting of artists and managers, who together are seen as the decision-makers in the financing of music careers and projects, in line with existing insights on artist management (Hughes et al., 2016; Morrow, 2018a; 2018b).

A *limited realism* position is taken in the analysis of the interview data, which is suitable for this study in the sense that the study seeks to 'develop an account that is credible and potentially transferable, while recognising conclusions will always be tentative' (King & Brooks, 2018, p. 223). The transcripts were coded into three phases using Atlas.ti (version 8.4), following a template analysis structure as described by King (2012). Using the coding software was no guarantee in terms of quality, but it was chosen as a way to make the management of data and analysis of transcripts totalling approximately 37 hours of interviews more efficient and effective (Paulus et al., 2017). First, a limited number of *a* *priori themes* were formulated, using categories of influences on financing preferences derived from existing frameworks on SME financing. During the coding process, the researchers maintained a willingness to modify the a priori themes (Brooks et al., 2015). During the first wave of coding, i.e. the *preliminary coding* phase, the interviews were coded to produce an initial version of the template, with codes created in vivo (Cassell & Bishop, 2019; King, 2012). 1202 quotations were created, each consisting of one or several sentences, averaging around 31 quotations per interview. Several codes were linked to each quotation, with a total of 74 codes used. All codes were formulated in English to ensure uniformity in the process between the three country-samples. For Belgium, a native Belgian researcher was consulted to account for specific language differences between Dutch and Flemish. In the next phase, i.e. the *clustering* phase, the total was reduced to 43 codes by means of clustering. All codes that had been generated fitted under the a priori themes, except for three codes related to advice obtained from others, which were initially placed under the category of *influences on the decision maker* but later restructured under the separate category of *advice*. The category of *owner-manager attributes* was reformulated to *decision-maker attributes* because of the different use of the word *manager* in a music context. The accuracy of the code set was improved by merging overlapping codes.

Finally, all interviews were re-read to create a final coding template, which is presented in Table 2. In this phase, some minor adaptations were made to the category labels. Two authors were involved in the coding process. To address potential inter-rater reliability issues, they discussed differences both in the clustering phase and in the final phase. There was no disagreement about the main categories. Differences in words chosen for the codes that were created in vivo were discussed to agree on suitable words for use in the final coding template. For the final step, the *co-occurrence explorer* function in Atlas.ti (see Friese (2019) for an explanation on its operation) was used to identify for each code in connection to which other codes it was observed. All clusters of co-occurring quotes were viewed and read to identify patterns and to check if the final codes set properly represented the content expressed by the participants. Being able to perform context-based checks and to generate lists of quotes with co-occurring codes were the most important advantages of using Atlas.ti.

Table 2: Final coding template

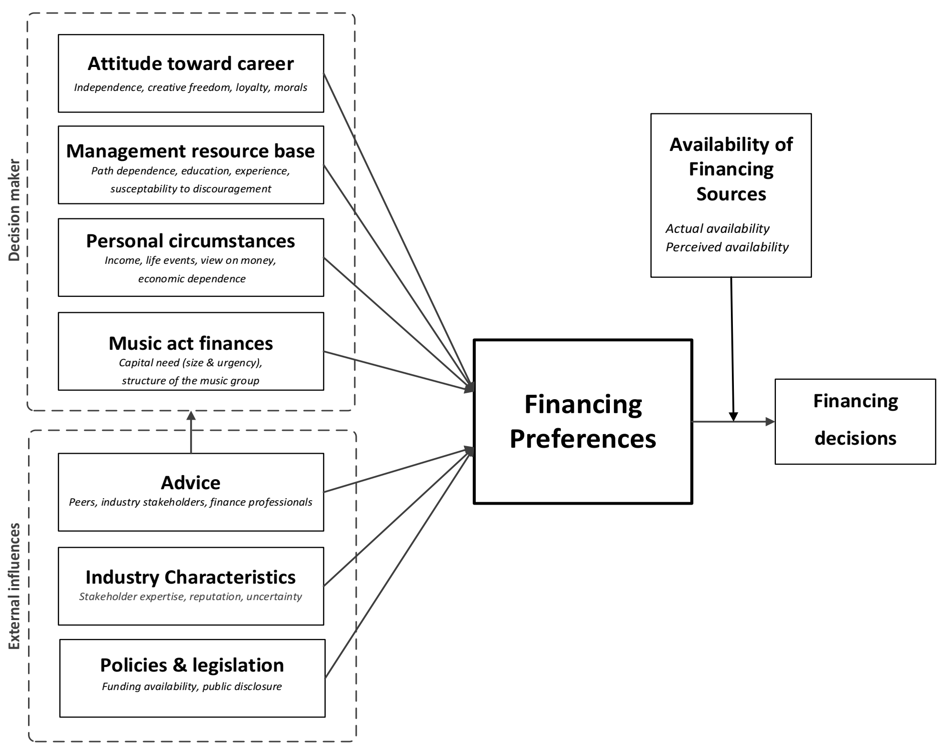
1. Firm characteristics	3.4. Dependence (creative)	4.12. Guarantees
1.1. Age	3.5. Dependence (financial)	4.13. Manager investment
1.2. Anatomy (no. of people, decision-making)	3.6. Life events	4.14. Live-agent investment
1.3. Assets (copyrights, masters)	3.7. Moral reasons	4.15. Retained earnings
1.4. Capital need	3.8. Risk perception	4.16. Owner finance
1.5. Collateral	**4. Financing methods**	4.17. Patronage

1.6. Development (growth, profitability)	4.1. Advance (publisher)	4.18. Sponsoring
1.7. Music genre	4.2. Advance (record label)	4.19. Subsidy finance/grants
2. Industry characteristics	4.3. Bank loan	**5. Macroeconomic factors**
2.1. Brand/reputation	4.4. Business angel	5.1. Monetary
2.2. Planning/career development	4.5. Cost-cutting	5.2. Political
2.3. Gatekeepers (expertise, network)	4.6. Crowdfunding (debt/equity)	**6. Capital structure**
2.4. Uncertainty	4.7. Crowdfunding (gift)	6.1. Current capital structure (practice)
3. Decision-maker attributes	4.8. Crowdfunding (reward)	**7. Advice**
3.1. Education	4.9. Equity	7.1. Peers
3.2. Experience	4.10. Family/friends gifts	7.2. Finance professionals
3.3. Financial situation (personal)	4.11. Family/friends loans	7.3. Industry stakeholders

5. Findings

The interview data helped clarify the influences on financial decision-making in the context of the music industry. Figure 1 provides an overview of the key findings, which are discussed in detail in the following subsections. Participant quotes are provided throughout the section to illustrate the patterns found in the interview data. The analysis of the 39 interview transcripts led to four categories of influences related to the decision-maker and three to external influences.

Figure 1: Elaboration of theoretical framework in a popular music context



Source: Own illustration

5.1. The Decision-Maker

Several categories of influences on financial decision-making are related to the decision-maker: the attitude of individuals toward their music careers, their knowledge on financing and career planning, the personal finances of the individuals involved and the organisational and financial situation of the musician or music group.

5.1.1. Attitude Toward Music Career

A key element of the influence of the decision-maker on career planning and financing decisions is the attitude of the individual artists, and to some extent managers, toward their careers. Balancing artistic and financial aspects of career development shapes the decision-makers' attitudes. Words often used by participants to refer to this theme are *independence* and *creative freedom*. *Loyalty* and *morals* in their contact with other artists, fans, record companies and publishing companies are also mentioned in this context.

Around four-fifths of the participants referred to *independence*, both creative and financial, as an important factor influencing their financing preferences. According to the participants, financial independence consists of both the freedom of individuals to work on their artistic career in the present and, albeit not referred to by all participants, the possibility to build a personal financial buffer for the future. Participants explained creative independence as the freedom of the individual or group to write, perform and distribute music the way they want without having to take into account the wishes or conditions of others, including commercial considerations. Using retained earnings gives artists the strongest feeling of independence, allowing them to make their own decisions and to reap all of the financial rewards themselves. Participants referred to bank loans and most deals with record companies and publishers as options that provide relatively high creative independence but low financial independence. Banks have strict repayment terms and publishers and record companies require artists to give up part of their income from copyrights and ownership of recordings for a certain period of time. Regarding family loans, participants feel they also give them a high degree of creative independence, while limiting financial independence. Artists want to limit their financial risks until they have paid back the loan to their family, as a result of feelings of guilt if the money cannot be paid back quickly enough and concerns about the impact on personal relationships.

Furthermore, feelings of loyalty and morals influenced participants' preferences. Almost all of the artists and approximately one-third of the managers emphasised the importance of recouping on an investment, even if e.g. a record company bears the risk. Strong feelings of loyalty exist, even when artists consider their record deal to be 'bad':

> 'The label 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 label gave us so much self-confidence; that is priceless.' [Artist 11]

Furthermore, some of the most experienced artists feel that it is morally wrong for a successful artist to use grants because they are of the opinion that these should be used by young artists.

Values in interacting with others and signalling creativity and artistic quality are very important for some artists, and as such impact career planning and financing decisions. Some participants put themselves on the commercial side of an imaginary scale, others on a more idealistic or artistic side. According to managers in particular, the attitude of the artist determines to which extent the artistic vision is compromised when the money available is not sufficient to pay for all elements of that vision.

5.1.2. Knowledge from Experience and Education

Experience-related elements were mentioned by all participants, who strongly depend on learning-by-doing. Both artists who had studied music and those with other educational backgrounds said that they had not gained sufficient financial knowledge through their education. More than half of the artists stated, without being asked specifically about it, that they were frustrated about their lack of knowledge concerning finances during the early stages of their careers:

> 'Other artists told us that there are "money jars" available but we had no idea where those "jars" had been put and who looked after them. After the first record, we were told that we had missed out on thousands of euros in grants that we could have used.' [Artist 7]

Except for a few managers with business-related degrees, most participating managers also gained all of their financial knowledge through practice. They stated that they had learned about the workings of financing methods by applying them to specific cases of their artists. After experiencing success, they continued to use (or in any case considered using) the same funding source for all of their future projects. Furthermore, three managers had a strong preference for the use of government grants after they had gained experience with government grants in past jobs.

5.1.3. Personal Circumstances

Both the personal financial situation and life events of individual artists determine whether personal finances can be used to finance the activities of the music artist or group. Participants explained that, in early career stages, the personal financial situation of the artist(s) has a strong influence on the investment capacity of the (group of) musician(s) because the availability of other financing is limited. At that stage, owner-finance is often a matter of necessity. In later stages, the personal financial situation remains influential because artists increasingly want to attain a certain level of income. Lifestyle and life events such as buying a house, marriage and the birth of children have a big impact on the artist as a decision-maker. Instead of looking at how much of their money they can invest in their music career, individuals increasingly focus on how much they can earn through their music in the present and the future. However, if more income obtained through music activities is required to establish a sustainable career as an artist without taking side jobs, less of the earnings can be retained and more external financing is needed. The attitude of the individuals towards their personal financial situation is also mentioned in relation to this. Several managers explained that because many artists in the rap music genre grew up in low-income households, they have a different way of looking at career investments:

> '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.' [Manager 16]

Following this, their managers explained that more than half of the rap artists they know want to make as much money as they can, which leads to the minimisation of external investment if enough income is available to finance internally. At the same time, this leads to signing record company or publishing deals purely to obtain a large advance to use for short-term spending.

Related to personal finance and life events, economic dependence influences financing preferences of the participants. For musicians who form a music group, the income from the group determines their dependence on the group to make a living:

> 'So, my theory is that all bands dissolve when the members turn 30, unless they are economically dependent on one another. […] It is only those [groups] where the band has become a business, […] and a source of income for all involved, that don't dissolve.' [Artist 18]

Low economic dependence applies when artists have jobs that bring in a stable income in addition to the act or when their costs of living are low. In low-dependence situations, artists take more risks and tend to use record company or publishing advances without calculating the full financial impact. According to the participants, artists with a high level of economic dependence have a stronger focus on the costs and risks of a financing source in relation to the potential benefits.

Participants identified an additional influence on the personal financial situation of the manager: because the income of managers is generally not on an hourly basis, managers have no incentive to prefer time-consuming grant applications and crowdfunding campaigns. More than half of the managers expressed worries about the financial situation of managers:

> 'That's why we have eight different divisions in our company. I understand that management itself is hardly sustainable for most management companies. You have to have big acts to make it happen.' [Manager 21]

A public announcement made by one of the participating managers who dissolved their music management company in 2022 serves as a second example of this influence, stating in this announcement that it was not possible to rebuild the company to a break-even income situation after the most successful music group that was managed by the company ceased to exist.

5.1.4. Music Finances & Organisation

In addition to the personal financial situation of the individuals involved, the financial management and organisation of the musician or music group is often referred to as an influence on career planning and financing decisions. Grants were not used frequently by about two-thirds of the participants as a result of time pressure:

> 'At that moment [of quick growth] we needed money, so a record label advance was very welcome. But shortly after we signed away rights in a record deal, we learned that we had received a grant for the debut album. Because of that grant, […] we would have [been able to] keep more of the copyright for ourselves. We had to make a decision at that moment; we did not have enough information about the grant.' [Manager 3]

If the capital required exceeds the amount of capital available internally increased by the amount of money that can be earned in the near future, music artists seek external sources. Participants explained that, while they know that a publisher advance will end up being a relatively expensive option if their project is financially successful, they often prefer this over forms that have a long application or preparation phase, such as structural grants and crowdfunding.

Furthermore, aspects mentioned by almost all participants such as the number of musicians (size of the music group) and the role of the manager and individual members of the musician or group in decision-making (organisation of the music group) can be summarised as structure of the music group (which can also be a solo artist with their manager or managers). The influence of the structure of the music group is often mentioned in relation to differences between music genres. Participants pointed out that artists in different music genres also differ in terms of the number of musicians, production values and related production costs.

> 'The costs are low [for Electronic Dance Music and rap artists]: with a band, you need to rent a van, hire a sound engineer, tour manager, and divide everything by four or five. When I started working with DJs, they drove to the shows themselves, the gross profit of a show almost equals the fee.' [Manager 6]

Using retained earnings and bootstrapping is easier for music groups or solo musicians with a generally lower level of investment in recording or live production and for smaller groups.

5.2. External Influences

5.2.1. Music Industry Characteristics

There is a high degree of unanimity between participants on themes relating to industry characteristics, in particular concerning stakeholder expertise, reputation, and the overarching theme of uncertainty.

Firstly, without exception, all participants referred to the expertise of industry stakeholders as a reason to prefer an advance from them over other forms of external borrowing. Regarding record companies, participants referred to the marketing and distribution expertise and knowledge those companies hold as reasons for partnering with them. Co-investment or an advance from the live-agent limits the risk of making costly mistakes in the production of large-scale live events. Publishing companies can offer 'syncs', opportunities for music to feature in visual productions. However, around half of the participants, particularly the most experienced, were sceptical about publishing. They stated that the chances of obtaining syncs were incredibly small and even though successful syncs sometimes result in high income, they were of the opinion that the high costs of an advance would outweigh the potential benefits. Managers who were sceptical about the use of publishing advances nevertheless used this form of financing in some cases. They explained this as being due to the urgency of the capital need of some of the artists they work with, as discussed in the previous section.

Secondly, reputation is a crucially important element in the music industry and a key consideration when partnering with industry stakeholders. The majority of participants considered it a reputational boon for the music group or solo act if they are able to connect to the brand of a record company or to be signed to the same company as more successful artists in the same music genre. Both artists and managers thought of signing a deal with a respected company as a seal of approval. On the other hand, reputational effects were a reason for some participants to avoid crowdfunding:

> '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? […] Crowdfunding would put you 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 made it work.' [Artist 11]

A further reputational consideration, which some participants used to argue against the use of grants and crowdfunding, is that artists usually refrain from communicating to the outside about the business side of their career. One manager pointed out that they experienced having the entire touring budget of an internationally successful act exposed in the news, due to a grant application and the rules of public access to the applications. This revealed competition-sensitive information and represented a potential brand issue, as artists may not want to divulge such information.

Thirdly, uncertainty was a central theme in all interviews, both in relation to specific financing sources and in general comments about the music industry. Long-term planning is difficult because the next career step, e.g. the release of a new recording or the development of a live show, depends on the results of the current step. When asked if they make a full scenario analysis to weigh risk and potential cost, only half a dozen managers confirmed that they do. The other managers and all the artists who were interviewed indicated that they use rough estimates of risk and return, or stated that the unpredictable degree of success of a music release makes it impossible to make such calculations. They often preferred industry-specific sources over other forms of external financing, as these transfer risks and helped the artists and managers cope with uncertainty.

5.2.2. Advice

It remains unclear what the exact role of advisors is, because more than half of the participants do not mention advice-related effects; nevertheless, those who do mention it value the advice of others greatly in their financial decision-making process. Three managers said that they gained knowledge through advice from an accountant, which in all cases led to more structural financial planning and the increased use of government grants and in one case even to patronage. Managers also indicate that, although career development topics are discussed with other managers in one-to-one meetings and in meetings of associations such as the respective country-specific music managers fora, they hardly talk to other managers outside their company about financing decisions. Artists are also reluctant to talk to others, and particularly to other artists, about the financial aspect of their career, mainly for reputational reasons. However, approximately one-fifth of the participating artists indicated that they trust the advice of a small number of close friends who in the majority of cases have artist careers too. This peer effect is more than just getting general suggestions from other artists: they share details of experiences with financing sources.

5.2.3. Policies & Legislation

The degree to which a musician or music group operates internationally and which country they reside in or originate from, are seen as external influences on planning and financing. The sample of this study is too small to report detailed findings on country characteristics, but more than half of the participating managers mentioned the same factor. They pointed out that the management structure differs from market to market. According to the participants, in the Netherlands most managers are self-employed or part of a small team, while in Belgium and Norway many managers are affiliated with or part of management companies. In Belgium, this is the result of government support for management companies. Participants also pointed out that for internationally successful artists, many of them from the United Kingdom and the United States, the decision-making process is different because they have a larger management team with a separate artist manager and a business manager. The participants indicated that company size has an impact on the managers' perspectives on time-consuming financing sources such as grants. Grant applications and crowdfunding campaigns are too time-consuming for most managers that cannot obtain help from a specialist inside their own company. Due to the importance of reputation in the music industry, as described above, laws around disclosure of information in grant application procedures are also mentioned as an influence the domestic national environment has on decision-making.

5.3. The Supply Side: Financing Source Availability

As the participants in this study are on the demand side of financing, the focus of this study lies not on the availability of sources. However, the participants' general perception was that obtaining external debt funding outside the industry is a difficult feat. Most participants have not applied for bank loans, discouraged by the idea that it is commonly known that banks are not interested in their industry. Furthermore, all participants discussed record company and publishing advances, but none of them referred to other ways of using their IP to obtain financing. One manager stated:

> 'This conversation triggers thoughts about talking to a financier, not specifically for one artist but as a management company, asking: "we have a roster of artists that need X amount of financing per year, how can we organise that?".' [Manager 7]

Participants were asked to list their preferred financing options and, in a separate question, the methods they had used around past milestones. The majority used more bootstrapping, record company advances and publisher advances and less (government) grants and long-term external financing than they would have preferred if they would not have felt restrictions related to (perceived) availability or any of the influences described in previous sections.

6. Discussion

Our study provides insights into the dynamics of financing preferences in a specific industry. The results support the view that to understand the financing practices of a small firm, attention must be paid to the financing preferences of the decision makers (Fraser et al., 2015; Kumar & Rao, 2015). The participating decision-makers (musicians and managers) prefer internal finance over external finance and there are signs of an order in their financing preferences. These findings align with pecking order theory. However, pecking order theory provides that the order is determined by information asymmetries. Our findings indicate that the shaping of the decision-makers' pecking orders is more complicated. Our study was designed to generate a deeper understanding of what influences financing preferences in respect of musicians and music groups. The design of the study means that we cannot measure whether variables found in the SME finance literature such as size, age, gender, education and experience explain differences in financing preferences. We can, however, elaborate on theoretical explanations and existing empirical findings regarding the deeper drivers behind financing preferences such as signalling, personal circumstances, advice, discouragement and path dependence. Most of these explanations have a relation to the resource-based view, which we will therefore also discuss in this section. We start with a brief discussion of industry-specific circumstances.

6.1. Industry-Specific Uncertainty

The intangible assets produced by artists in the form of copyrights are difficult to value because the popularity of music produced is traditionally hard to predict, much like experience goods in consumption theory (Andersson & Andersson, 2013). The *experience-type* nature of the collateral of music artists seems to stimulate the use of advances from industry stakeholders. Our results suggest that reversed information asymmetries play a role, contrary to pecking order theory. Decision-makers in this uncertain industry often rely on record companies or publishing companies to identify the potential of a recording or a music synchronisation. Our results also show a tendency of artists and managers to look toward record companies for network and reputational advantages, which complements the findings of Montoro-Pons and Cuadrado-Garcia (2018) on the importance of such factors in the economic success of record companies. Despite the notion that, as regards their income, artists are less directly reliant on the recorded music industry and more on the live industry (Hughes et al., 2016), the recorded music industry still seems to play a prominent role in the investment decisions of artists and managers.

6.2. Signalling and Reputation

Existing studies find that signals are a way for firm owners to increase the likelihood of obtaining their preferred funding (Ahlers et al., 2015). Signals include the disclosure of information about the firm, owner, social media activity and accomplishments (Colombo, 2021). Some studies find that firms also use investors in their signalling: if they have obtained investment from a certain investor, that serves as a quality signal toward other investors and even other stakeholders (Ahlers et al., 2015; Kleinert et al., 2020). Our findings suggest that musicians and their managers use deals with record companies as a quality signal, similar to SMEs in other sectors. Participants in our study clearly indicated that they do not sign record contracts purely for the financing but also, or sometimes exclusively, to build a profile by being part of a so-called *roster* of artists all signed under that record label. In addition to the confirmation of findings on investment as a signalling tool, we find that musicians possibly signal out of necessity. Industry stakeholders such as record companies and publishing companies act as gatekeepers and investors at the same time. Because measuring the market value of the music is difficult, the record deal is a necessary signal in working with reversed information asymmetries between the investors and the musicians.

In addition to positive signalling, artists carefully manage their reputation and credibility by avoiding financing sources that, in their eyes, can signal poor craftsmanship or a lack of artistic integrity. This can be seen in the light of signalling theory as avoiding negative signals, which is also found in SME finance literature (Connelly et al., 2011). Signing a contract with a specific record company, avoiding the risk of disclosing financial information about the artist career and mentioning doubts around the impact of starting a crowdfunding campaign can all be seen as ways of signalling artistic integrity.

6.3. Personal Circumstances

Studies on SMEs have shown that the personal circumstances of entrepreneurs play a crucial role in financing decisions. This includes both the ability and willingness to provide guarantees and collateral in accessing bank financing, as well as broader aspects of private life such as life events, family commitment, lifestyle choices and wealth objectives (Owen et al., 2023; Wong et al., 2018). Our findings confirm the influence of life events and lifestyle and provide an elaboration on earlier findings on the influence of such factors. The study provides indications of a turning point in the careers of artists: when they experience life events like buying a house, marriage and the birth of children, artists' approaches change from investing in their career development regardless of risk (risk tolerance), to careful risk assessment and a desire for a stable income (weighing risks or risk aversion). The extent to which their decisions about the financing of their music careers influence their personal wealth, determines their risk appetite. Participants that did not experience the aforementioned life events and those who can rely on a partner's income were therefore less likely to use long term financial planning and more likely to sign away significant shares of their music ownership rights in return for advances.

6.4. Path Dependence

Path-dependence theory states that the early decisions in a start-up influence what can be achieved in the future due to network effects and learning effects (Samuelsson et al., 2021; Sydow et al., 2009). Due to network effects, the formation of network ties in the early career stage can have an impact on future decisions (Vanacker et al., 2014). Learning affects result in decisions being based on prior experiences of success or failure (Minniti & Bygrave, 2001). Our results provide indications of a path which starts with the first network contacts that an artist or group of artists obtains or their first experience with financing. If a decision-maker, whether the artist or the manager, has early experience with e.g. applying for grants, this will be their preferred option for future projects. In our sample, a small number of participants used grants and they kept using this form of financing repeatedly. The artists or managers who used grants all had experience in this respect from a previous job or side job, e.g as a grant advisor at a regional public authority. Similar paths apply to the use of advances from record labels or publishing companies. Artists indicated that once they found a certain record label or publishing company interested in their work, they would consider that network partner the first party to call on for future projects. Managers have their key contacts within the music industry stakeholders, which they generally approach first. This path depends on the network contacts they obtained in earlier career stages. There are strong parallels between this behaviour and that found in financial advisors of SMEs who first apply for financing with their known contacts (Rauwerda & De Graaf, 2021).

6.5. Missing Advice and Long-Term Planning

Seeking and obtaining professional advice can be a way to cope with uncertainties in a dynamic environment (Dyer & Ross, 2008; Ma et al., 2020). Studies on SME financing have shown that external advice can compensate for insufficient knowledge about financing options and that many young and small SMEs that struggle to obtain financing, do not seek advice (Owen et al., 2023). The few participants in our study that seek external advice from an accountant or financial advisors are the more financially successful music artists. Our sample is too small to draw conclusions on the relation between advice and financial success, but external expertise could be a way to break the dependence on a path of past experience and industry network contacts. In relation to that, participants indicated that time pressure and the capital need urgency often lead to sub-optimal financing solutions, for example by giving away significant shares of copyright income to get a publishing advance, because alternatives such as government grants and crowdfunding take too much preparation time. Financing costs can be lowered by increasing the planning horizon and by collectively planning for all musicians under one management agency supported by financing experts. IP-backed debt funding, which is of growing importance in small enterprise financing (Block et al., 2018), could be part of management companies' long term financing efforts. Large-scale, detailed usage data from digital service providers that distribute the artists' music, like Spotify, Deezer and Apple Music, have the potential to facilitate better valuation of intangible assets. In contrast to other knowledge-intensive service firms characterised by large intangible assets and a prominence of human capital, musicians have increasing access to technology-based aid (e.g. streaming platform data) to measure the value of their IP. If the management company applies for funding, it can potentially use the collective IP of the portfolio of musicians that they represent as collateral and thus spread risk and break down the perceived barriers created by the unpredictable nature of the success of individual songs.

6.6. Discouragement

Kon and Storey (2003) developed a theoretical model of discouraged borrowers, i.e. firms that do not translate a need for financing into bank loan applications. Studies on discouraged borrowers in SMEs show that self-rationing is not justified in many cases and that perceptions have tangible effects on SME financing (Cowling et al., 2022; Mac an Bhaird et al., 2016). Many of the decision-makers in respect of music careers who participated in our study indicated that bank finance is not a realistic option for music careers. However, it is not clear whether the core explanations from the theoretical model, e.g. information and application costs, are the cause of this. Based on the results of our study, it is more likely that musicians can be seen as *reputationally* or *peer-discouraged borrowers*, not just for bank loans. Many of the participants prefer to use bootstrapping methods such as owner finance and retained earnings because they consider external financing a signal of commercial focus which does not match with the image of the independence and creativity of musicians. Even the more commercially-oriented artists without such fears are discouraged when it comes to bank loans because they are 'always told by others' that this form of financing is not available for music careers. It is thus not primarily a lack of information between borrower and lender but merely a perception that leads to applications for loans not even being considered, in line with findings in other small firms (Du & Nguyen, 2022). A more recent addition to the SME financing literature is that of *scarred borrowers* (Cowling et al., 2022), i.e. firms that after an unexpected loan rejection are so scarred that they are reluctant to re-apply in the future. Since musicians, at least the ones in our sample, do not even consider applying for a bank loan in the first place, musicians cannot be seen as scarred borrowers when it comes to lending. There are some indications in our sample of preferences for other types of external financing influenced by scarring, e.g. due to negative experiences with crowdfunding and grants. Despite the finding that musicians can, based on the current study, not be classified as discouraged borrowers under the definition of the original theory, our results show potential for broadening the existing theory in the direction of including reputational and peer pressure as causes for discouragement. It also indicates that for musicians, discouraged borrower theory can inspire thinking about forms of external financing other than bank loans. External advice or building a management resource base around the musicians could help relate perceptions to actual availability of financing.

6.7. Resource-Based View

Managers who participated in our study indicated that because many artist management companies are small, they have limited time to invest in developing expertise and knowledge around specific financing sources. The management resource base in many music careers is small, because the respective artists primarily work on creative processes and respective managers primarily work on building and maintaining networks and planning activities. The findings discussed above all touch upon the resource base within music careers. The musicians and managers in our sample that used the most diverse mix of internal and external financial resources were also the ones that showed the most awareness of long-term planning needs and provided examples of conscious financing decisions with openness to multiple options. These findings relate to a recent study on the relation between SME financing decisions and the resource-based view (Owen et al., 2023). Following the resource-based view (Barney, 1991), general management and financial management capacities increase the chances of success of firms, with more management resource-intensive firms perceived to have better capabilities to access external finance (Thornhill & Amit, 2003). This could mean that the road to music career success leads through well structured, professional management with solid financial advice. This would mean that findings on artist-centred models that result from the digitalisation of music distribution (see e.g. Hughes et al., 2016) should be seen in a new light when it comes to the financial side of career development. Independence is a great good, but working under a collective such as a professional management company could facilitate long term and potentially IP-backed financial planning.

7. Conclusions

Based on 39 interviews, this study provides insights into the financing preferences of music artists and managers. It elaborates theoretical insights on SME financing by providing detailed views of decision makers in the music industry. To the best of our knowledge, this study is the first to perform an in-depth analysis of factors driving financing decisions in the music industry. Hence, the study provides a starting point for further research on career development in this industry.

7.1. Practical Implications

In the previous section, we discussed the contributions of our study to the literature on SME financing and music management. The outcomes also have implications for practitioners (music artists and their managers) and policymakers. This study was not designed to draw large-scale policy conclusions. It is aimed at developing a deeper understanding of decisions of key individuals in the music industry. The outcomes, however, could inspire further studies on policy effectiveness for musicians and the music industry. It is not just the avoidance of grants because of (impressions of) complicated application procedures and the fear of exposing information that are important for policymaking. If the findings on path dependence and the availability of management resources as key underlying determinants of financing decisions hold on a larger scale, this means that improving the quality and strength of management may be crucial in facilitating career success. For artists and their managers, it is important to realise how easily path dependence arises in their decision making. Awareness of the influence of early-career network contacts and learning-by-doing can lead to more structured financing decisions, in particular when combined with external advice and building management resources.

7.2. Limitations and Directions for Future Research

Although this study provides useful insights, some limitations must be addressed in future research. Firstly, this study identifies signs of the impact of early-career decisions, but it does not examine the patterns in early-stage career development or preferences of people who gave up a career in music. More widespread data collection is needed to analyse life-cycle elements. Secondly, this study focuses on the demand side of financing, only providing insight into the perceptions the demand side has about the supply side. Further research should explore how financial backers approach musicians and how the actual supply available impacts financing preferences. Thirdly, participants from only three countries were interviewed, which means detailed conclusions cannot be drawn about the impact of country-specific market conditions or government policies. Fourthly, most of the managers who were interviewed focused on networking and did not seem to have a business-management role. Most of them emphasised that the artist is ultimately responsible for financial decisions. This could be different in other samples. Fifthly, further research is needed to identify which financing strategies could lead to successful music careers, because the degree of success was not measured in the current study. It became clear that financial decision-making is not influenced by rational, financial considerations alone, which suggests that a broad definition of success is necessary to capture the performance of musicians in relation to such financing decisions. Finally, this study takes a theory-elaboration approach. It qualitatively corroborates existing theories and frameworks. While recognising that using Atlas.ti does not automatically lead to a higher analysis quality, the software and its co-occurrence tables in particular helped greatly in identifying patterns in the interview transcripts. Additional research is needed, however, to clarify the directions, strengths and interplay of the relationships between the factors observed and the financing preferences of individuals. Given the complexity of preference formation and financial decision-making, the use of data analysis methods that facilitate the evaluation of relationships between latent variables can benefit future research on the financing decisions of music artists. Further data could reveal new patterns or new relations between the factors in the framework. Patterns may also change as a result of the economic situation.

Data Availability:

Anonymised data and coding templates are available from the corresponding author upon reasonable request.

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