IT Enabled Business Process Changes
A Case Study within the Swedish Independent Music Industry

Paper within Master Thesis in Business Administration
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Abstract

Developments in Information Technology (IT) have implications for both the business processes of firms and also their degree of competitiveness. The independent music industry in Sweden is no exception and has experienced both the potential for success and the threats that come with these developments.

The purpose of this thesis was to explore the effects IT has had on both internal and external connecting business processes for Swedish independent music industry firms. The thesis will examine to what extent this has affected competitiveness of these firms.

To address the research problem for the thesis, an exploratory study was conducted using a focal firm (Border Music AB) for a case study. Interviews were undertaken with a retrospective approach at the firm, with three departmental layers, in order to gain a wider perspective of the business processes and how IT has affected them. Interviews were also conducted electronically with connecting firms, to gather a wider understanding about the business activities that link with the focal firm, and to identify any effects IT has made.

The result of the thesis indicated that the basic structure of the focal firm’s core business processes are largely unchanged from when the firm was founded in 1982. The use of IT has supported these processes to work in a more efficient way and enhance the coordination with their partners. The time savings in terms of quicker and more effective completion of tasks, has made it possible for the focal firm to focus more on building and nurturing relationships with their partners. In terms of competitiveness, the results confirm that IT is an important business tool that has become a competitive necessity for these particular firms.
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1 Introduction

This chapter will start by presenting the purpose of the thesis, followed by the background to the main subject area. The problem discussion part will then continue by clarifying the research questions followed by detailing the limitations of the study.

1.1 Purpose

The purpose of this thesis is to explore the effects IT has had on both internal and external connecting business processes for Swedish independent music industry firms. The thesis will critically examine to what extent this has affected competitiveness of the concerned firms. This research will take the form of a case study, using a distributor within the industry as the focal firm. This is of particular interest as it focuses on the physical supply chain as opposed to the digital one, which is becoming increasingly popular among consumers. We believe this sector has potential for exploration of the changes IT has made to business processes, as these more experienced firms can provide historical depth spanning several decades.

1.2 Background

1.2.1 The Music Industry

The music industry can be described as a copyright industry, that focuses on the copyright possession and activities that operate between various actors within the industry (Wikström, 2009). The basis of this sector is the transition of intangible product, in the form of an artistic creation to a consumer good.

Hesmondhalgh (2007) stated that there are three core segments within the music industry, namely recording, publishing and live performance. The main role for a copyright holder within this industry is to utilise the different core industries and also understand how they can affect each other.

Leyshon (2001) suggests four different networks, namely Creativity, Reproduction, Distribution and Consumption of the music industry and how they are connected to one another (Figure 1-1). The ‘Creativity’ network focuses mainly on the musical artist itself and everything that enables them to be creative. ‘Reproduction” is primarily about how to transform these creative works and musical pieces into something reproducible for a musical market. The ‘Distribution’ is about how to take these reproducible products and the ability to distribute them to the audience or consumers. The last section ‘Consumption’ is the final step and connection between the production and the final consumers. The recording companies are often the link between the different steps and musical networks in the music industry. In this particular thesis, we will be focusing on the “Distribution” network of the music industry.
There are different ways of how to categorise the actors within the music industry. Often the partners in the music industry are described either as a major company or an independent one. A major company is regarded as one that has considerable resources for manufacturing and distribution (Wikström, 2009). The independent sector can be described as players outside the three major companies in the industry, these being Universal Music Group, Sony Music Entertainment and Warner Music Group (Pfanner, 2011). The independent industry is made up of several thousand smaller labels, supported by several hundred distributors (Spellman, 2000). This thesis will focus on the independent segment of the music industry.

1.2.2 Swedish Independent Market

Music plays an important cultural role in Sweden, both domestically and to represent Sweden internationally (Visit Sweden, 2012). When it comes to the total revenue from the domestic music industry, Sweden is one of the most successful in the whole world with 132 SEK per capita compared with 75 SEK in the UK, and 39 SEK in the USA (Musiksverige, 2012). Sweden is also the most successful country in the world (per capita) when it comes to producing music for the charts on a global scale (Ferreira & Waldfogel, 2010). Ferreira and Waldfogel (2010) point out that in 2007, Sweden was the second largest music exporter in the world (per capita) and that the country had a positive trading share (3.2 times GDP) in music during the time period between 2003 and 2007.

Swedish music has a relatively strong support in the national market. Between the 1st September 2010 to 31st August 2011, 37.7 per cent of the repertoire regarding
radio airplay in Sweden was produced nationally (Le grand, 2012). According to Musiksverige (2012), the domestic music industry in Sweden during 2010 was worth 5.2 billion SEK in total. This number was divided into three different parts, recorded music (23%), concerts (53%) and royalties (24%). In terms of international exports outside Scandinavia, it has been estimated to be between 700-800 million SEK (Musiksverige, 2012).

The means of recorded music distribution within Sweden is split between physical (66%) and digital (34%) as of 2010 (Musiksverige, 2012). The five top retailers for physical products in Sweden are CDON, Ginza, Åhléns, Statoil and Maxi/Ica (IFPI, 2009).

According to SOM (Svenska Oberoende Musikproducenter, 2011) the independent actors in Sweden produce approximately 80 per cent of the music within the domestic market, however this consists of less than 10 per cent of market share in terms of total turnover. The majority of these firms are represented by SOM, one of the world’s oldest organisations dedicated to the independent record industry. As of 2006, they represent 300 out of a total 400 active members within the Swedish market (Svenska Oberoende Musikproducenter, 2011).

During 2010-11, the independent companies within the Swedish market had a market segment of 16.5 per cent (Figure 1-2), based on radio airplay within Sweden (Le grand, 2012). In the study the independent segment of the music market within Sweden was relatively high compared to the European average (11.2 per cent). Of the six countries in the comparison, only Netherlands (20.5 per cent) had a higher market segment of independent music companies.

![Figure 1-2 Swedish Airplay/Downloads by Record Company Share](Legrand, 2012)
1.2.3 Business Processes

It is important to clarify what exactly defines ‘process’ for a business organisation and distinguish it from ‘practice’. Practices can be described as groups of people that are interdependent, connected through shared knowledge and identity. Practice involves transfers of resources between these groups, without any form of recognised barrier in order to reach a common goal. There is a preference for informal coordination given that shared trust and understanding is involved (Brown & Duguid, 2000).

According to Brown and Duguid (2000), a process can be viewed as a vertical structure, creating an organisational spine. On the other hand, practice can be seen as horizontal, as it emphasizes the lateral connections within an organisation. Process focuses on explicit command-and-control side of the organisation which is the structure that gets things done (Brown & Duguid, 2000). These two elements, which although pull in different directions are responsible for an organisation’s coordinated growth of knowledge, neither of which can survive without the other. In supply chains, where flows of information and materials tend to be of a vertical nature, these processes can cross organisational lines. As in the case of the independent music industry, processes can involve several organisations at different points of the supply chain.

Business processes consist of sets of activities that are performed within an organisational environment. Coordinating these activities can help a firm reach its desired goals and objectives. Business processes are enacted by individual organisations, however they can also connect and interact with processes of other organisations (Weske, 2007). This interpretation of business process consists of coordinated activities which often are performed in a set order. For example, a firm receives an order which generates a warehouse picking list. When a business process is enacted by an organisation, it could also interact with a process of another organisation. For example, an order received could generate a sales invoice for the customer (van der Aalst & Stahl, 2011). These authors argue that processes are the very basis for a firms day-to-day activities. This is of particular relevance in order to observe changes, particularly caused by an external influence, such as IT which will be the focus in this thesis. The business processes of firms within the independent music industry will be discussed and how IT has affected them will be explored.

1.2.4 Information Technology

IT has become an important feature of virtually any supply chain. Over decades of technological advancements, it has become a vital supporting pillar for most business functions. Indeed, most business in the industrial world would simply not be able to compete or survive without continuous IT enabled business transformation (Luftman, Bullen, Lio, Nash, & Neumann, 2004). The Swedish independent music industry is no exception to this.

During recent decades there have been high levels of investment in IT by companies the world over (Mitra, 2005; Strassman, 2002), and expenditures of
almost 60 per cent of a company’s IT budget are estimated to be spent on IT infrastructure itself (Byrd & Turner, 2000).

Corporate spending on IT and information systems is regarded by many authors as having a huge potential to increase human and system effectiveness. This results in reducing costs and increasing competitiveness of the firm (Hitt & Brynjolfsson, 1996). However, simply investing in IT does not always provide a sustainable competitive advantage for a firm, as often adoption of a particular technology can easily be replicated by other firms in the industry (Powell & Dent-Micallef, 1997). We believe the implications of this for independent music industry firms are important to explore, due to the limited financial resources available to them in comparison to the larger label firms.

IT solutions are commonplace in most supply chains through business-to-business (B2B) tools (Klein, 2007). These support the buyer-seller relationships by aiding with transactional exchanges to collaborative partnerships (Dwyer, Schurr, & Oh, 1987). Within relationships between partners and logistic firms for example, IT has played an important role through live information sharing (e.g. lead time, consignment and vehicle tracking) which enables relationships to be maintained and developed (Jayachandra, Sharma, Kaufman, & Raman, 2005). These issues in particular are important to music industry firms as exchanges of goods take place with the aid of other third parties such as logistic firms.

1.2.5 Competitiveness

The use of the term competitiveness can have many interpretations depending on its use within a particular organisation. This can range from the ability to attract customers over competitors, but can also have the meaning as the ability to improve continuously process abilities (Feurer & Chaharbaghi, 1994). Due to the nature of the music industry and this study’s focus on a ‘middle’ firm within the independent chain, the latter meaning will take prevalence in examining competitiveness of these firms.

The concept of IT use as a tool to change business processes, is important for the competitiveness of firms. Porter and Miller (1985) have proposed that IT can help firms to lower costs, provide new opportunities to differentiate, and provide firms access to global markets. These build on the potential that IT can allow firms to remain competitive, an issue very much applicable to firms in the independent music industry.

1.3 Problem Definition

Firms within the independent music industry are significantly smaller in comparison to the major music multinationals. Globally the independent music industry market share comprises of 28.4% (IFPI, 2005). As with many industries, these bigger firms are able to achieve better economies of scale and scope. The smaller, independent market of the music industry has many more actors
participating in the value chain, which makes the market in total more fragmented (IMPALA, 2012).

A challenge faced by smaller firms, who have limited financial resources at their disposal, is the ability to invest adequately in IT, to ensure they remain competitive with their larger counterparts. Therefore, it can be said that there is an increasing divide between small and large firms when it comes to IT. It has been argued that this is due to the inability or unwillingness of small firms to make the necessary investment in IT (Lee, Kim, Choi, & Lee, 2009). The bigger actors in the industry tend to have the financial capital to take more risks and experiment with new processes and technology, in order to become more competitive. However with independent firms, who tend to be small and medium enterprises (SMEs), lack the necessary resources and instead focus on the key functions of the business (Cataldo, McQueen, & Sepulveda, 2011).

The general internal day-to-day operations of a firm is an area where firms can use IT innovations to improve their processes (Klein, 2007). This can be in the form of inventory management systems for warehouses to human resource management systems. As mentioned, the independent music industry is made up of several small actors who are interconnected at various points of the supply chain (IMPALA, 2012). This presents a challenge in the sense of the firms being able to coordinate and work efficiently as a chain. The vast amounts of knowledge and information that is shared and communicated between the actors therefore needs to be able to travel fast and efficiently without loss or error. This is one particular area where IT is utilised as a tool, to enable these transfers of information to operate without barriers, across the firms for mutual benefit (Attaran, 2003). The effects IT have externally on Business-to-business (B2B) processes, between firms, is of particular interest to understand if and how business renewal is taking place (van der Aalst & Stahl, 2011).

The extent to which these independent firms utilise IT tools within and between the firms should be evaluated, in order to assess the impact on changes in business processes. To what extent improvements, if any, in productivity efficiency and competitiveness have been achieved should also be studied.

1.4 Research Questions

This thesis will focus on the following three research questions:

- What affects has IT had on business processes of Swedish independent music industry firms?
- How has IT affected business processes between Swedish independent music industry firms and its supply chain partners?
- To what extent has this affected competitiveness of the firms?
1.5 Delimitations

This study is limited to assessing and evaluating the research questions that exist, specifically within this industry and territory. This study therefore does not intend to provide a general assumption of the Swedish music industry as a whole. However, the focal company used, which is a major player in the independent music sector, provides a good basis for this and future studies.

A further limitation of the study is that the focal firm has their main focus on physical music products rather than digital. Therefore, this thesis will consider processes connected to this physical supply chain, which over recent years is reducing in size as consumers switch to digital downloads through electronic means. The trend in digitisation of media products will become ever more relevant and the topic of future studies.

This research will not set out to evaluate the general benefits IT can have on firms, as this has been topic has been researched previously in many other works. The research will instead seek to explore the changes to business processes IT has had, both internally within the firms and with its partners in the supply chain.
2 Theoretical Framework

In this chapter we will introduce the theoretical framework. Relevant literature in the field of IT, business process management, music industry and the relationship between these will be discussed. We have selected theories with specific relevance to the research questions in order to provide the reader with theoretical discussions regarding the background to the thesis topic.

2.1 Copyright Industry

Wikström (2009) states that the music industry can be described as a copyright industry, that focuses on the copyright possession and activities that operate between various actors within the industry. Wikström (2009) also argues that earlier classifications like ‘cultural industry’, ‘creative industry’ or ‘experience industry’ is either too focused to a specific format to distribute the media from (cultural), or is too general in the sense that it doesn’t give a clear idea about what constitutes the music industry.

There are some factors that distinguish a copyright industry from other industries. Wikström (2009) presents and discusses mainly three characteristics of a copyright industry regarding the production itself.

First of all, it is the actual characteristics of the product. Hirsch (1972, p. 639) defines cultural products, within the copyright industry as “…nonmaterial goods directed at a public of consumers, for whom they generally serve an esthetic or expressive, rather than a clearly utilitarian function”. Therefore, the music industry primarily is selling information, based on their copyright license of a sound recording, to the consumers in different ways, not primarily physical products in the conventional sense. This information is owned by the copyright holder and then agreed with the consumer what they are allowed/not allowed to do with the copyright information. What is so special about information goods is that they easily can be digitised (Shapiro and Varian, 1999), which certainly affects the role IT has in the music industry.

The second factor, is the high level of uncertainty and volatility that is included in the music industry. It is tough to know in advance which music will be successful or not, this is often decided by the consumers based on their first experience with the music in question. When this occurs, the music has already been produced and paid for. Another factor is the time. For example, according to IFPI (2011), an album typically sells at least half of its total sales in the first four weeks following release. It is also important to note there is a high level of unpredictability in terms of potential success of copyright materials, and knowing which will result in a big income for the holders. Neuman (1991, p. 139) pointed out a rule of thumb regarding media industries in general that “80% of the income is derived from 20% of the published works”.

Anderson (2006) argues that due to the implementation of IT within the media industries, especially the internet and the ‘information age’ that it has brought about, this rule of thumb has changed slightly. The expansion of e-commerce for
example has given access to and encouraged demand from a far wider array of products, in contrast to traditional “bricks and mortar” retailers who are subject to physical limitations such as shelf space (Anderson, 2006). The internet provides a good platform for the labels and the artists to connect with potential customers. Anderson (2006) describes this phenomenon as the term ‘long tail’. The the ‘tail’ in this model implies the 80 per cent outside of the most top selling items (Figure 2-1). This sector has grown longer and longer since the expansion of e-commerce within the industry. The limitations of physical retailing in terms of limited varieties of articles, can therefore be overcome which enables the music industry, in particular the independent, to sell greater volumes of different items that generally have low sales by article alone.

![The New Marketplace](image)

Figure 2-1 The Long Tail Effect (Anderson, 2012)

A third and final factor within a copyright industry is that there are high production costs, but low reproduction costs (Wikström, 2009). The first copy of any copyright product, including music, is the most important and the most expensive one. As mentioned previously, it is only after the first copy has been produced that the copyright holder knows if it will be a successful one or not. So there is a relative high fixed cost included in the production and the nature of a product. Neuman (1991) stated that it is about 20% of the published works that will be successful in the long run. However, once the copyright holders have produced a successful work, it is cheap to reproduce this to a wider audience and for a longer time.

### 2.2 Independent Music Industry

In 2000, with the initiative of independent labels and national trade associations, the organisation Independent Music Companies Association (IMPALA) was established to represent the independent music companies in the international market. Their mission statement is “grow the independent music sector, promote cultural diversity and cultural entrepreneurship, improve political access and
modernise the perception of the music industry.” (IMPALA, 2012). According to IMPALA’s statistics, 99 per cent of Europe’s music companies are ‘small and medium enterprises’ (SME), in other words part of the independent music industry.

The European Commission (2003) define SMEs as companies with less than 250 employees, a turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro. The independent music industry produces, according to IMPALA (2012) more than 80 per cent of all new releases in the European market, but has the market share of nearly 20 per cent in total. SMEs are, according to the European Commission (2003) the engine of the European economy. A total of 23 million SMEs within the European Union provide around 75 million jobs and represent 99 per cent of all enterprise. According to de Kok et al. (2011), 85 per cent net of new jobs in the European Union (between 2002 and 2010) were created by SMEs.

The independent music firms focus in general more on their core skills, within their organisations and outsource the rest (IMPALA, 2012). They therefore rarely vertically integrate within their organisations, but instead create symbiotic relationships with third parties. Third party actors who provide the music companies with vital elements in the development, production and sale of recorded music. These include elements such as distributors, retailers, manufacturers, designers, session artists, concert promoters (IMPALA, 2012).

According to IMPALA (2012) this approach helps the independent music companies to remain flexible and responsive. However, it also makes them more dependent on the third parties providers for distribution and access to vital markets IMPALA (2012).

Berthon (2007) argues that the digital development within the music industry, during the recent years, has changed the basis for the music companies to work from. Nowadays, the musicians have “...the ability to market and distribute their music directly to the end consumer” (Berthon, 2007, p. 18). This procession has changed the importance of the other actors in the music industry and they are more and more seen as “...middlemen who provide neither an individually-tailored personal experience, nor one that is fast, efficient and cost-effective” (Berthon, 2007, p. 18).

Berthon (2007) presents two ways for music companies to be successful in this new environment. Either as a ‘music factory’, that is focusing on standardisation in the back-office environment (billing, packaging, distribution and inventory), or as a ‘music theatre’, that enabling a high level of customisation in the front-office environment (concerts, interviews and signings) (Figure 2-2).
So according to this, it is important for a music distributor to try to standardise their procedures within the supply chain. Especially if they are an independent company within the market, with limited resources, and are trying to stay competitive against the major companies. IT could play an important part of the standardisation and therefore creating a more efficient and flexible supply chain. This could, in turn, enable the smaller, independent companies to focus more on nurturing stronger relationships with their customers.

### 2.3 Business Processes

Business processes can simply be described as different sets of activities within an organisational environment. Weske (2007) states that in order to achieve desired business goal and objectives, organisations need to coordinate business processes within and across partner firms. Business processes that are enacted are performed in a decided order and can help bring together multiple business activities in a coordinated way (Weske, 2007). Van der Aalst and Stahl (2011) state that although a business process is enacted initially by one particular organisation, this could interact with processes of another, in a synchronous manner. These authors indicate that business processes are a core necessity for firms to operate in both a basic manner, internally within the organisation, but also in a carefully planned coordinated nature across networks of firms.

There has been much discussion between authors in this field as to what is defined as the concept of Business Process Management (BPM). Hung (2006) describes it as a management principle which enables firms to sustain a competitive advantage. The main function of BPM is that to improve, re-design or re-engineer existing business operations, in order to improve the overall effectiveness or efficiency of an organisation. A recent study by Palmer (2007), has indicated that
75 per cent of BPM initiatives are concerned with overall process improvement. The issue has been identified as a top priority for businesses, and the challenges surrounding growing business process capability remains a significant challenge for firms during the coming years (Gartner Group, 2009).

Scheer (2009) describes BPM as a sequence of executions in the context of business, with a focus on creating goods and services. BPM is the acting of a set of methods, techniques and software tools which support the design, enactment, control and analysis of operational business processes in order to facilitate optimised value creation (van der Aalst, Ter Hofstede, & Weske, 2003).

There have been two different concepts described by other authors in terms of BPM. The first involves the idea of business process reengineering which describes a major redesign of business processes as a single event of transformation (Hammer and Champy, 1993). The other concept, which has become the predominant of the two, can be referred to as an evolutionary approach. It involves improvement of business processes as a continuous activity occurring through several phases (Weske, 2007). This concept is often illustrated in terms of a BPM life cycle, with elements that can vary depending on the requirements. The authors Houy, Fettke and Loos (2010) formulated a BPM Cycle for continuous improvement (Figure 2-3) which is an accumulation of life cycle concepts.

![BPM-cycle for continuous improvement](image)

2.4 Information Technology

Information technology (IT) can be defined as “capabilities offered to organisations by computers, software applications, and telecommunications that deliver data, information, and knowledge to individuals and processes” (Attaran, 2003, p. 442).

IT has for many decades been used as part of industrial functions. Adoption within office and services environment started occurring during the 1980s (Attaran,
During the 1990’s, the development of IT as a business tool began to take on a significant role. With the shift from ‘main frame’ systems to more ‘open’ pc-based systems (Attaran, 2003). The cost of IT infrastructure reduced significantly during this period resulting in firms making large sums of investments. IT has been used to break down barriers of communications between corporate functions, enhance empowerment of workers and use as a component for process engineering. Many top executives even consider IT as a valuable asset towards attaining a competitive advantage. (Attaran, 2003).

IT has become an important feature of virtually any supply chain. Over decades of technological advancements, it has become a vital supporting pillar for most business functions. Indeed, most business in the industrial world would simply not be able to compete or survive without continuous IT enabled business transformation (Luftman et al., 2004). During recent decades there have been high levels of investment in IT by companies the world over (Mitra, 2005; Strassman, 2002), and expenditures of almost 60 per cent of a company's IT budget are estimated to be spent on IT infrastructure itself (Byrd & Turner, 2000).

Powell and Dent-Micallef (1997) make an important point that all these investments in IT do not guarantee a firm any competitive advantages. Powell and Dent-Micallef (1997) also argue that any advantages that may be achieved could be short lived, due to the ease of which other firms in the industry can replicate these innovations. However, there is much debate among other authors as to the extent investments in IT have on organisational performance. (Carr, 2003; Dehning, Richardson & Stratopoulos, 2004). Carr (2003, p. 49) in particular noted that “Studies of corporate IT spending consistently show that greater expenditures rarely translate into superior financial results. In fact, the opposite is usually true”. Dick (2000, p. 14) however argues that the main reasons internet companies in particular are ceasing their operations “…is because their technology capabilities aren’t aligned with their business objectives”.

Van der Aalst and Stahl (2011) state that business processes are an integral part of an information system. The conceptual diagram (Figure 2-4) which illustrates their point of how information technology and processes fit with other business elements such as customers, products and services. There is however a question as to how many of these elements actually constitute an information (van der Aalst & Stahl, 2011).

![Figure 2-4 An integrated view of an information system (van der Aalst & Stahl, 2011, p.14)]
When BPM and IT come together, they have the potential to create more flexible, team based, coordinative, and communication based work capabilities. (Attaran, 2003). The author suggests that IT is more than a collection of tools automating processes, that it can actually fundamentally reshape the way in which business is done and enable better process design (Attaran, 2003).

Klein (2007) states that IT solutions have become an important tool within most supply chains, supporting business-to-business (B2B) functions and cross-organisation processes. Dwyer et al. (1987) go further and argue that IT enabled business processes can help nurture and develop buyer-seller relationships, particularly in transactional exchanges, which can provide benefits for all parties concerned.

New organisational structures and IT related solutions have developed as firms focus more on business processes (Becker, Kugeler & Rosemann, 2003). Through use of IT, firms have been able to automate the execution of business processes within the whole firm and across networks of partner firms. It is important that firms analyse where exactly IT can be implemented across existing business processes. Firms, which have poorly implemented IT solutions within existing business processes, limit their chances of success (Becker et al., 2003).

### 2.5 Competitiveness

Competitiveness has many interpretations depending on its use within a particular organisation. Some organisations view this as the ability to pursued customers to choose their products over competitors, while others define it as the ability to improve continuously process abilities (Feurer & Chaharbaghi, 1994). These authors propose a conceptual framework model (Figure 2-5) to develop a definition of competitiveness.

![Figure 2-5 Conceptual Framework for Defining Competitiveness (Feurer & Chaharbaghi, 1994, p. 50)](image-url)
The model (Figure 2-5) makes the assumption that for an organisation to even exist, demand must be present for its products. That the overall objective of the organisation is to satisfy shareholders by growth and profit making. Competition therefore occurs when multiple organisations aim to make a profit by satisfying the same demand (Feurer & Chaharbaghi, 1994). Therefore it can be interpreted that competition is both the value of which customers view a particular firms offerings, but also the value of shareholders in terms of the potential for profit in relation to competitors (Figure 2-6). Feurer and Chaharbaghi (1994) argue that the ability of a firm to react to its environment is connected to its financial strength, in terms of being able to invest in technological and human.

![Figure 2-6 Components of Competitiveness (Feurer & Chaharbaghi, 1994 p. 50)](image)

A notable study and resulting model by McKinsey & Co, in conjunction with General Electric (GE) in the USA, was the ‘Market Attractiveness-Competitive Position’ (MA-CP) model. It was created to help firms deal with the complex issue of strategic resource allocation. Jobber (2004) adapted this model and included criteria for ‘Competitive Strength’, which contains a number of factors that can be used to describe characteristics of competitiveness.

These included:

- Market Share
- Potential to develop a differential advantage
- Opportunities to develop cost advantages
- Reputation
- Distribution capabilities

(Jobber, 2004, p. 322)

There has been much research conducted on the effects IT can have on competitiveness. Sethi and King (1994) concluded that IT can be used to create a competitive advantage through efficiency improvements, differentiation and channel domination. Ives and Learmonth (1984) in their research showed that when IT is used properly, to establish a niche, differentiate or gain a low-cost position, then competitive advantages could be achieved. Porter and Miller (1985)
argue that IT can provide firms with competitive advantages through lowering costs, providing new opportunities to differentiate, and providing firms access to global markets. McFarlan (1984) in his research builds on this, proposing that IT has changed the make-up of industries, adding barriers to entry, increasing switching costs, and re-writing critical success factors.

Other studies have shown that the idea of competitive advantage through IT investments is not always true. For example, Brynjolfsson and Hitt (1996) in their research failed to show a link between a firm’s spending on IT and relative competitive advantage.

Some authors have tried to identify links between IT and sustained competitive advantage using a resource-based view (RBV). Mata, Fuerst, & Barney (1995) in their study, used this method to evaluate contributions that IT can make to a firm that could result in a competitive advantage being achieved. The results indicated that only ‘IT Management Skills’ was actually a source of competitive advantage. There has always been an expectation in many studies that use of IT gives a competitive advantage however, as mentioned, this is not always the case. The problem when it comes to IT and competitiveness is that innovations can be easily copied by competitors and that competitive advantages are only achieved for a short period of time (Powell & Dent-Micallef, 1997).
3  Methodology

In this chapter we will present the outline of the methodology with regards to conducting the research for the thesis. A discussion of the research strategies, approach, and data collecting methods will be presented. The research limitations and validity will also be discussed in the latter part of this chapter.

3.1 Research Strategy

The purpose for this thesis is to describe and examine the effects of IT on business processes within the independent music industry. In order to achieve this, it is imperative to have suitability structured research method which will is focused on the purpose of the research. An understanding of the various approaches to collecting the empirical data needs to be evaluated in order to strategize a plan best suited for maximising the quality and relevance of the research (Figure 3-1).

![Figure 3-1 Research Framework](image)

3.2 Research Approach

There are two major approaches when it comes to creating and testing theories within a piece of research, namely inductive and deductive. Colberg, Nestor, and Trattner (1985, p. 682) define an inductive approach as “a type of argument in which the conclusion follows from the premises only with a degree of probability”
and a deductive approach “the conclusions follow necessarily from the premises”. It can be argued that, an inductive approach is a way of discovery how the reality works and tries to create probable theories based on it. A deductive approach on the other hand, sets up a clear idea from the start (a hypothesis), and then tests this in a real situation. Colberg et al. (1985) describes these different working methods as either going from the particular to the general (deductive) or the other way around (inductive) (Figure 3-2).

When a combination of the two approaches is required, it is called the abductive research approach. This has been used in this thesis because existing ‘theory’, in the form of the theoretical framework will be presented as an initial stage, which refers to the deductive approach. However following this, the inductive approach will generally be followed as ‘observations’ in the form of interviews, then ‘pattern’ in the form of analysis of these results. Finally concluding with ‘tentative hypothesis’ which will form as the conclusion and discussion parts of this study.

Salmi (2011) argues that the abductive approach allows a greater level of flexibility and that there is a greater connection between theory, method and practice which is can be beneficial for case study analysis. Therefore, we have used the data collected through the empirical research to reach a tentative hypothesis.

### 3.2.1 Qualitative Data

A characteristic of a qualitative approach is, according to Raigh (1987), is a tendency to look at cases as a whole, which means comparison of whole cases with each other. This approach has been used in this thesis because the music industry, especially the independent sector, is a wide and broad market with a vast variety of companies to work from. This research has focused on one focal company (Border Music) and looked at the company's situation as one specific case within
the independent music industry, not something general and representative for the whole sector. A qualitative research approach can also gather a wider and better understanding about the company. This presented study can also be used as a sample for comparison for further studies within this field.

Qualitative approaches have the tendency to be historically interpretative (Raign, 1987) and this approach is trying to investigate outcomes over time, within the a specific field, in order to understand its significance in the present. This thesis intends to evaluate the current situation for the focal company, in terms of how IT has affected business processes during the recent years and therefore a qualitative approach is most suited for this study.

According to Bryman and Burgess (1999), qualitative research implies a more inductive approach as opposed to quantitative research which is often linked with a deductive approach. Tacq (2011, p. 289) argues though that “...there is no principal difference between causality in qualitative and quantitative research". This is because, according to his study, they are both based and supported by a similar fundamental, experimental logic (Tacq, 2011).

### 3.2.2 Retrospective approach

There is a time factor to consider when performing the research and there are mainly two ways of approaching this. Longitudinal, involves collecting data over a period of time and a continuous analysis of the changes during this period, or a cross-sectional, that gathers and compares data at a specific point in time.

Rindfleisch, Malter, Ganesan and Moorman (2007) suggests that cross-sectional data is more suitable for studies that examine substantial and external themed concepts that are of a complex nature in terms of the factors and scales. In terms of longitudinal, Rindfleisch et al. (2007) argue that this is most appropriate when the long-term factor of the problem is defined or where other explanations are likely and therefore cannot be examined with a cross-sectional approach.

In this thesis we will utilise the retrospective approach, which is a form of longitudinal method of research. This is because the nature of the data to be obtained covers a period of almost thirty years, from which the firm was created. It was however collected at once in a retrospective manner. A prospective study approach would not be suitable for this study as it requires a study over a future directional period of time, which would not be possible due to the limitations of the thesis (Ott & Longnecker, 2010).

### 3.3 Data Collection Methods

#### 3.3.1 Literature Study

A review of relevant literatures was carried out in order to present the reader with an adequate understanding of the main themes explored as per the purpose of this study and its research questions.
The main types of literature that we focused on included ‘Primary Literature’, which includes literature published at source, such as industry reports. ‘Secondary Literature’, which includes books and journals where subsequent ‘Primary Literature’ is published. These literatures are usually easily accessed through ‘Tertiary Literature’ sources, which consist of databases and search tools, to enable suitable literature to be located (Saunders, Lewis, & Thornhill, 2009).

In this thesis the main ‘Tertiary’ literature resources that were used predominantly included, Pro-Quest (ABI/Inform Global), Business Source Premier, Emerald and Google Scholar databases for journal articles. For ‘Secondary Literature’, Google Books and the University library at Jönköping was used as a source for book publications in the relevant subject areas (Secondary Literature). Industry reports published by Tillväxtverket (Sweden’s Business Development Agency) were also used as a source of ‘Primary Literature’.

### 3.3.2 Case study

In order to conduct this thesis, a case study was undertaken based on a focal firm. Yin (1984, p. 23) defines the case study research method “as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used.” Another definition by Gerring (2004, p. 352) describe a case study “as an intensive study of a single unit with an aim to generalize across a larger set of units”. In the thesis, the main focus was on the focal company and trying to understand its specific situation.

It is not vital for this research to make generalisations with the industry as a whole, through the findings that have resulted. That is because the music industry relies extensively on personal relationships between people due to the nature of a copyright industry, so the situation will be highly different between different firms. Hamel, Dufour and Fortin (1993) argue that the sample used in a case study, independent of its size, can never transform multiple cases into a macroscopic study. The goal for a case study should be to establish the parameters of it and then apply it throughout the whole study. Due to this approach, even a single case could be considered acceptable if it can fulfil the established objective of the study (Hamel et al., 1993).

By choosing the biggest independent music distributor in Sweden, the aim is to create a firm basis for future studies which can develop a clearer comparison between major and independent segments, within the Swedish market. This is because that the largest independent music distributor has the greatest resources within the independent segment, and therefore, could have the best ability to compete against the major companies.

We believe that focusing on just one focal company will allow the thesis to develop depth in terms of the retrospective approach employed in collection of data for the study. The practical limitations of conducting a master thesis mean that it is better to conduct a study that is thorough and detailed using one focal firm.
With a case study there it is important to establish an analytic strategy that will lead to conclusions. Yin (1994) presents two strategies for general use: The first one is to highly rely on the theoretical propositions of the study and analyse the evidence from the study based on this. This approach is related to a deductive approach. The second approach is to develop a case description, which would work as a framework for organising the case study. Due to the nature of the copyright industry, as stated previously, the approach of creating a framework for organising the case study will be used in this thesis.

### 3.3.3 Interview Approach

To gather information from the focal company, and its partners, interviews will be performed. There are mainly two ways of conducting an interview; Standardised or Non-Standardised (Figure 3-3). According to Saunders, Lewis, and Thornhill, (2007), standardised is often fixed interviews where the interviewer sets up a list of question that the interviewee has a limited ability to influence. The non-standardised interviews however have a more dynamic and flexible approach to adjust its question after the interviewees answer, and also the ability to have a ‘one-to-one’ or ‘one-to-many’ approach.

![Interviewing Methods (Adapted from Saunders, Lewis, and Thornhill, 2007)](image)

This thesis will conduct ‘face-to-face’ semi-structured interviews with (three departmental levels) within the focal company. We have specifically selected staff members who have been long serving, with at least twenty years experience at the company. These sources of information for the thesis have experienced major changes brought about IT, because of this, we consider that they are an excellent source for this study (Table 3-1).
<table>
<thead>
<tr>
<th>Position</th>
<th>Background Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer</td>
<td>Co-founder of the company in 1982. Is involved in senior management activities and decisions. Has excellent knowledge of organisation’s activities and development of IT.</td>
</tr>
<tr>
<td>Sales Manager</td>
<td>Long serving employee of company (started 1989). Deals with both labels and customers on a daily basis and has experienced IT developments within the firm and industry.</td>
</tr>
<tr>
<td>Warehouse Manager</td>
<td>Worked in warehouse since 1991. Oversees the main logistical activities and warehouse operations. Has a long-term perspective of IT developments within his department.</td>
</tr>
</tbody>
</table>

Table 3-1 Focal Firm Interview Respondents

The nature of ‘semi-structured’ interviews also provides opportunities to present questions based on the general interview outline, but gives the additional flexibility to further develop questions based on these responses, in order to achieve quality results. A follow up interview via telephone was also conducted with the warehouse manager in order to gain information to complement what was collected during the company visit.

Standardised email interviews were conducted with the partners to the focal company. The basis for these interviews will commence with fixed questions, the responding partners will have an opportunity to provide developed, qualitative answers. The interviews with the partners should always have a focus on their relationship with the focal company. Firms from both upstream and downstream on the supply chain have been selected for the interviews. The main goal of collecting information from these sources is to provide data external to the focal company, however based on the activities and processes that link the firms together. These electronic interviews were conducted using email in both English and Swedish depending on the location of the partner firm. This was to enable the interviewees to provide better quality answers, particularly as the majority of the partner firms interviewed were located in Sweden.

### 3.3.4 Conducting Interviews

It is important that when conducting an interview, the objectives and goals are clearly identified so that relevant, high quality data can be collected. Therefore, it is important for the interviewer to plan in advance, and formulate ideas of how the interview could benefit the research.
Rao and Perry (2003) introduce seven basic principles when planning an interview, which were adopted for this thesis to enable better results to be produced (Table 3-2).

<table>
<thead>
<tr>
<th>Principle</th>
<th>Description</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Contacting respondent</td>
<td>Contact the respondent and present yourself and the purpose of the interview.</td>
<td>Initial contact with focal firm by email and telephone.</td>
</tr>
<tr>
<td>2 Time and setting</td>
<td>Decide when and where the interview should take place.</td>
<td>Company visit agreed for 2\textsuperscript{nd} April 2012 at 14:00. A 45 minute slot was allocated for each interview.</td>
</tr>
<tr>
<td>3 Establishing rapport and neutrality</td>
<td>Making it clear to the respondent what the research is about, the purpose and avoid giving any preconceived ideas.</td>
<td>Interview questions sent to company 1 week before.</td>
</tr>
<tr>
<td>4 Opening question</td>
<td>The first question should be a general one regarding the topic in order to initiate the discussion.</td>
<td>Interviews began with question relating to ‘general views’ of IT.</td>
</tr>
<tr>
<td>5 Probe questions</td>
<td>Probe questions should be asked relevant to what the answers are given.</td>
<td>Further questions were asked to probe further depending on answers given.</td>
</tr>
<tr>
<td>6 Inviting a summary</td>
<td>Invite the respondent to summarise their opinions and answers.</td>
<td>After giving detailed answers, the respondents were asked to highlight the main points of importance.</td>
</tr>
<tr>
<td>7 Concluding the interview</td>
<td>Conclude the interview once all relevant information has been collected.</td>
<td>A closing question regarding the future of IT was asked once sufficient answers had been given to the main questions.</td>
</tr>
</tbody>
</table>

Table 3-2 Seven Basic Interview Principles (Adapted from Rao and Perry, 2003)

The interviews (see Appendix 1) were conducted at the company's location on 2\textsuperscript{nd} April 2012 as described above (Table 3-2). Each interview was undertaken face-to-face in the main meeting room, away from the main office and warehouse. The interviews were conducted in English, as we are not both native speakers of Swedish, and to ensure we could both take a role in collecting the data. Each interviewee however, was comfortable and proficient enough in English to both understand the questions and provide in-depth, quality answers. This is because some of the firm’s business activities with partners is conducted in English.
As interviewers, we each took a separate role, with one person directing the proceedings of the interview in terms of questioning and probing. The other had the responsibility of transcribing answers and notes in written form, at times confirming what has been discussed to ensure accuracy. These roles were kept for each of the three interviews to allow for consistent undertaking and recording. These measures were also undertaken during the follow up telephone interview that was conducted with the warehouse manager on 19th April 2012. The handwritten notes from these interviews were transcribed into Microsoft Word documents to be stored and access electronically.

As part of the empirical research, approximately two hundred of the focal firm’s customers and suppliers were contacted to request participation in the study. Following this, an electronic interview via email was conducted with eleven of these firms who agreed to take part. The questioning was based on the interview questions and results obtained from the focal company itself (Appendix 2 & 3).

3.4 Research Limitations

The research limitations are very much connected to the delimitations of the study in general. We believe the main limitation of the study is that it only focuses on one firm within the independent music industry. The firm is the biggest independent distributor in Sweden, which makes it a good source of data in relation to the research questions. However its size in comparison to many other independent firms, who on average are smaller, means that the results gained may not reflect the situation in the industry as a whole.

A further limitation with the research method undertaken is that it consists of a retrospective longitudinal approach. Due to the time factors imposed in terms of completion of this study, the data could only be collected during a short period, that in fact covered almost thirty years, since the firm’s creation. This could therefore have affected the quality of the information provided by the interviewees in terms data inaccuracies brought about by errors in recollection of past events and development of IT at the firm (Ott & Longnecker, 2010).

With regards to the interviews conducted with partner firms, it could be argued that the initial response rate was low in terms of firms willing to participate in this study. However the eleven firms who agreed to take part, were still able to provide us with supporting data of a qualitative nature as the approach taken was similar to the collection method of the focal company.

3.5 Validity

We consider that the focal company used in this thesis is a good example of an actor within the Swedish independent music industry. The firm is the biggest independent distributor in Sweden with thirty years of operation and experience, providing an excellent historical view of the changes that have taken place in terms
of IT and its effects on business processes. The firm and its position as a distributor within the industry can provide a wider look into the industry as a whole, as it is centrally positioned within the supply chain, conducting activities with both record labels and retailing actors.

We have used data collected from three departmental levels at the focal firm in order to gain an understanding of how IT has affected business processes across the firm’s activities. The respondents selected were senior, experienced staff members who had been at the company for at least twenty years. This provides the thesis with good quality data as the sources have experienced the changes IT has brought to the business over a long period.
4 Empirical Study

This section of the thesis will present the empirical study and its findings based upon the focal company. We will first introduce a background to the firm and proceed to a presentation of results.

4.1 Introduction

Border Music Distribution AB is based in Gothenburg, Sweden, was founded in 1982 and has today 15 employees working for the company today (Allabolag, 2012). The company is the biggest independent distributor of CD-records in Sweden and is working with approximately 170 Swedish and international record companies, of which are not connected to the three major ones. Border Music distribute and promote their clients to record stores and other retailers all over Sweden. The turnover for Border Music in 2010 was 42.2 million SEK (Allabolag, 2012). The empirical research collected at the focal firm takes a retrospective approach as previously mentioned in the methodology. This will cover the life of the company from when it was first established. Employees interviewed are long serving with at least twenty years service to enable data covering such a long period to be collected.

Through the empirical research, several effects on business processes through the development of and use of IT were raised. There were also many general effects on the organisation as a whole, rather than focused to one specific area. Within this study, we also sort to gain knowledge and information from different perspectives within the focal company. Due to the limited number of employees at the firm, three departmental levels were identified that could assist the study. These included a senior management level (CEO), sales/label representative (Sales Manager) and a warehouse operative (Warehouse Manager). It was of particular importance, that the employees selected have been long serving at the company, with excellent knowledge and vast experience. It was thought that these sources would have experienced major changes brought about IT, because of this, we felt that they would be an excellent source of data for this thesis.

4.2 Core Business Processes

The main business process for Border Music in terms of the firm’s role in the supply chain can be described as an ongoing cycle of replenishment. This cycle begins when a new product is released with several initial stages of strategic importance which require more attention (Border Music, 2012).

4.2.1 New Product Introduction Process

The initial stage (Figure 4-1) begins when a new product is scheduled for release from one of the independent record labels that Border Music has an agreement to distribute for. This information is normally sent directly to the relevant label sales
representative. Information about this new product is then presented to retailers in the form of a sales communication and through weekly bulletins. The retailers then show their level of interest and place initial orders for launch stock. Using this information and general market assumptions, stock is ordered from the label. This is then received and processed by the warehouse before being initial launch orders are fulfilled (Border Music, 2012).

![Product Introduction Process](image)

**4.2.2 Operational Business Process**

The core operational business process consists of the main day-to-day activities of the firm (Figure 4-2). The Sales & Purchasing department are responsible for the receipt of orders from customers, from which a sales order and picking list are produced. This department is also responsible for the forecasting of future sales and placing orders with suppliers for stock replenishments. The Warehouse Operations process beings with the receiving of inbound stock and processing them for storage within the main warehouse. Once a sales order and picking list is generated, the order is then picked, packed and processed for dispatch. The Finance department deals with inbound payments and outbound credits when required (Border Music, 2012).
The findings from the interviews, with all three departmental layers of the firm, indicate that the actual business processes themselves have remained the same as they were when the company first started.

### 4.3 Development of IT within Border Music

The functions of IT have played an important role within the firm for most of its operation. Only during the first three years of operation (82-85) did the company not involve IT as a part of its activities due to financial reasons, and also as many firms at the time did not see it as a necessity. The firm did however invest in their first computer in 1985 and some time later began using a bespoke in-house business system called ‘Frida’. The company then had some years experience of a system called ‘Probase’ before switching in 1999 to their current system called ‘Pyramid’ (Figure 4-3).
4.4 E-Commerce

In terms of the use of IT, with specific focus on the internet, the focal company has experienced both positive and negative effects. Negative effects in terms of the lost revenues due to online piracy, but also a positive effects due to the availability and access to new customers. Several of Border Music's key customers are online retailers such as CDON and Ginza. This new 'online' retail model enables a far greater variety and selection of products than a traditional bricks and mortar record store. The CEO confirmed that with regards to Border Music, this means that IT has given many of the products the company distributes, a platform for buyers to access them. So in general, the market is becoming more segmented and de-centralised through the use of IT. For an independent actor like Border Music this is a positive thing because although they are focusing more on products with low sales volumes per item, the great width of their product catalogue enables a good turnover for the company. The CEO described this pattern of business as sales of 'ones and twos' (Border Music, 2012).

4.5 Communication

The use of IT within Border Music has enabled them to improve and make their communication more efficient. Through the use of e-mail they can communicate faster, more easier and can include a much greater level of content than compared to previous methods, such as telex and fax. In terms of presenting information regarding new products to customers, in the past this was limited to a few black and white sheets and was particularly time consuming to dial and send to every customer. Through the use of email, the label representatives at Border can now send high quality, rich content with limitless pages in a matter of seconds to all their customers at the same time. This improvement does not simply affect outgoing communications, but also incoming. Customers can reply much easier to correspondence which enables faster response times due to email programs running in the background of the employees computer. This negates the need to check a separate device such as a fax machine (Border Music, 2012).

4.6 Operational Information

The focal company has seen changes to the way information is stored and retrieved. Originally when the company was first established, they were very much paper based. This means that day-to-day business information such as prices, stock and orders were handled in a paper format. The first computerised record keeping system was introduced in 1987 using a basic in-house system called Frida. This enabled the firm to manage orders and their product catalogue through an electronic system. In 1992 the company implemented an ERP system (Enterprise Resource Planning) called Probase, that enabled them to plan and control more business activities. These included customer orders and purchasing, payments, inventory and warehouse management. Now the firm uses a more advanced ERP system (Pyramid) which operates the same activities as Probase with the addition of some customer related improvements. The Pyramid system is also more
compatible with other systems in the industry, which assists with integrating and working with customers/suppliers. These systems allow Border Music to efficiently manage the data and information that is relevant for the operations of the company. Faster input and retrieval of information gives the company cost and time savings (Border Music, 2012).

4.7 Information Sharing

Before the computerised system, information was handled by a limited amount of the employees at Border Music and to distribute this information further within the organisation, others had to ask them in person to receive this information. The ERP system allows Border Music and its employees to input the information once in the system which is then immediately available to access for everyone within the organisation. This means for example, that when stock is received from the label and processed by warehouse staff, the information regarding availability and stock levels is then available to employees in the administration office instantly, without the need for manual checking. The information is also available at an external level with partner firms to Border Music through use of EDI (Electronic Data Interchange) file transmissions (Border Music, 2012).

4.8 Relationships

When the information storage and sharing is made more efficient by using a ERP system, the employees at Border Music have more time to focus on building and maintaining their relationship with their partner firms. The improvements IT has brought in terms of information storage and retrieval, and communication has enabled employees to provide better service to customers and enhance business relationships. The sales manager pointed out that the firm can send out higher quality communications with richer content to customers. Employees can more efficiently produce communications that are tailored towards a particular customer, whereas in the past this would not have been as easy. Communication with both labels and customers through email has increased productivity compared to traditional methods such as telephone or fax as employees can respond better and quicker. IT has therefore brought a common platform for everyone involved to work and communicate with more ease, and improving business relationships (Border Music, 2012).

The sales manager stated that IT driven efficiency improvements with regards to day-to-day tasks, has enabled him to spend more time building a rapport with customers, through more traditional communication methods such as telephone and face-to-face meetings. The sales manager believes that this is important for customer relationship and to stimulate bigger sales. This is because a more tailored, personalised approach can be taken with customers compared to using email alone, which has a positive effect in higher order quantities (Border Music, 2012).
4.9 Efficiency

With regards to efficiency within the firm, the main findings indicate that IT has aided with tasks part of the daily routine. The CEO in particular noted that this has enabled him to plan with regards to the firm’s strategy, with a more long-term planning perspective. IT has made it more efficient for him to delegate tasks and also follow up the results within the company. Furthermore, the sales manager reported that the time savings, brought about by IT, have enabled him to focus more on building and maintaining customer relationships as mentioned previously (Border Music, 2012).

One significant feature of the firm’s ERP system (Pyramid) is the ability to plan warehouse picking routines in a more efficient way. The warehouse staff select which order they are going to pick next and then the program automatically calculates the most efficient picking route within the warehouse. This has improved the effectiveness of warehouse activities and helped overcome the disadvantages associated with holding a very large number of different product articles. (Border Music, 2012).

4.10 Connecting Partners

A total of eleven partner firms were interviewed electronically by email and a summary of their findings was produced. The sources gained were from senior levels within the firms (9 CEOs and 2 Distribution/Export Managers).

• The general feeling towards IT by the respondents was that it was effective, time-saving, a necessity and generally positive. That IT has an impact in terms of simplifying tasks and saving time. The only downside raised by one respondent was the threat to the music industry in terms of illegal downloads.

• The partner firms used between 1-3 IT systems in its relationship with the focal company. It was noted that at one firm they stated that 7 systems were used and another stated they didn’t use any at all.

• 11 different systems were used in total, the most notable being Excel, BMD Inventory Management, and Pyramid.

• The vast majority (8) of respondents stated that they used a standardised system.

• In terms of how long systems had been used for, 3 respondents reported they started in the 1990s, 1 in 2000s, 1 in the 1970s, the remainder either didn’t know or failed to answer.

• When the firms were asked if IT systems has affected efficiency, over half (6) of the total respondents stated it had, 3 stated no changes and 2 didn’t respond.
• When asked if business processes have had to change to make a particular system fit, 7 stated this was not the case, with 2 stating yes or ongoing.

• In terms of if a system has affected the firms business processes, half (5) the respondents stated no, with 2 stating that it had saved time and 1 stating that it had reduced the need for human input.

• The respondents were asked about the driving forces behind adoption of particular IT systems. The most popular themes in response received were based on technical developments, such as the digitalisation of business activities. Efficiency, customisations and cost savings were also noted.

• The final question was regarding future plans for development of IT systems and business processes. The majority of respondents (8) answered that there were no current plans for change. The only other response to note stated that change was developing ‘continuously’.
5 Analysis

This section of the thesis will present an analysis of the findings. A comparison between the findings of the theoretical frameworks and empirical study will be conducted by critically reviewing and reflecting on interpretations. The structure of this section will be based on the purpose and research questions of the thesis.

The empirical results of this study have shown that many effects on business processes caused by the development and adoption of IT can be analysed. The core business processes raised in the empirical section included ‘Product Introduction Process’ (Figure 4.1) and ‘Continuous stock replenishment process’ (Figure 4.2) in particular will be the primary focus of the following discussion. We identified that although these processes were internal to the focal company, they did however involve external partners in the supply chain at various stages.

5.1 Effects within the Focal Firm

5.1.1 Evolutionary approach

In the theoretical framework two different concepts were presented on how to change the business processes within a company: ‘a major redesign’ (Hammer and Champy, 1993) or ‘an evolutionary approach’ (Weske, 2007). The empirical results of this study have shown that even if IT has had an effect on the business processes within the focal firm, especially regarding the efficiency in each stages, the main structure of the processes is practically the same as when the company started in 1982. This implies that the changes within the company has been driven by a continuous change over the years, and therefore using more of an evolutionary approach.

5.1.2 Information Technology

Implied in the problem definition of this thesis, smaller firms do not have the resources to be able to invest as heavily in IT as their larger counterparts (Lee et al. 2009). However, the empirical results of this study instead reveal another perspective on this matter. Namely, that IT has made the administration part within the focal firm more efficient, so that it can be able to focus more on its core competence; building and nurturing business relationships and being flexible with its customers. This confirms with the theoretical idea that IT enabled business processes can help nurture and develop buyer-seller relationships, which can provide benefits for both parties (Dwyer et al., 1987). From this perspective, you could argue that smaller companies within the music industry have been able to stay competitive against their major label competitors through adoption of IT.

Presented in the theoretical framework is the idea that IT has been used to break down barriers of communications between corporate functions (Attaran, 2003). This has been confirmed throughout the interviews with the focal firm, that IT has
helped them to make the communication within the firm more efficient and that it’s easier to communicate to the right person who is responsible for a particular area.

5.1.3 Business Processes

Regarding business processes management, one view presented in the theoretical framework chapter is that it is a sequence of executions in the context of business with a focus of creating goods and services (Scheer, 2009). As mentioned earlier in this chapter, the empirical study within this thesis revealed that the basics of the focal firm’s business processes has not changed since the start of the company. Instead, the result confirmed that IT, with the Pyramid ERP system in particular, has helped the focal firm with the coordination of the different sequences of process executions, and also in terms of information sharing within the company. For instance, the CEO stated that IT has enabled him the opportunity to delegate tasks to others within the firm and therefore de-centralised many day-to-day activities of the company. This has come about because the ERP system has made it possible to monitor and control functions within the organisation.

The general meaning of the ‘long-tail’ effect, presented in the theoretical framework, is that with the expansion of e-commerce, the limitations associated with traditional physical stores can be overcome. This has helped companies to sell a more variety of products, but each in smaller quantities (Anderson, 2006). The empirical study confirms that this has helped the focal company, within the independent music industry, to gain access to the specific customers who are interested in these products. The ERP System has helped the focal company to be able to deal with more variety of products, without adding complexity to their daily working routine. A challenge for the focal firm’s warehouse is to adapt to a larger catalogue of products within its facilities. The study shows that this has been improved by the use of IT and that the ERP system has helped track the location of products within the warehouse and also plan more efficiently the packing lists for orders.

Presented within the theoretical framework is two approaches for music companies of dealing with and being successful in a digital era. One way is focusing on standardisation in the back-office environment, another by enabling of a high level of customisation in the front-office environment (Berton, 2007). Due to the fact that the focal company works within the back-office environment, mainly distribution, the focus has been on this issue within the study. The result of the empirical study shows that IT has enabled a more efficient and standardised working pattern for the administrative part of the organisation. This has provided more time for the focal company to focus more on their relationships with partner firms within the supply chain.
5.2 Effects between the Focal Firm and Partner Firms

The result of the empirical findings, with a focus on the electronic interviews to the connecting partners, confirms the same mixed feeling that the focal company had about the use of IT. Namely that is a positive thing that has made their work more efficient, but that it does not provide a major competitive advantage anymore. It is now a necessity to use IT in order to be able to operate within the music industry. The connecting partners, through the electronic interviews, have confirmed that they are all more or less dependent on IT for their daily working routine. IT also helps, with the more efficient way of information sharing, to improve the relationship between the buyer and seller. With better and faster information sharing between each other, the trust factor will increase.

An interesting point that was raised through the empirical research is the varying levels of IT adopted by other firms within the chain. With some larger partner firms it was found that the majority of business activities were more or less automated through use of EDI. However, the focal company has had to be flexible with smaller partner firms who had adopted a more basic level of IT, where business activities still took place manually, over email and telephone.

Regarding business processes management, one view presented in the theoretical framework is that it is a sequence of actions in the context of business with a focus of creating goods and services (Scheer, 2009). The result of the empirical study shows that IT has helped with the coordination and information sharing between firms, which has created more flexibility in the supply chain.

5.2.1 Communication

It has been confirmed throughout the interviews with the focal firm’s partners, that IT has helped them to make communicate more efficiently with the focal firm itself. In practice, this means it has become easier for the partners to get the information they require from the relevant source more quickly and effectively.

As stated before in the theoretical framework, IT has been used to break down barriers of communications between corporate functions (Attaran, 2003). According to the empirical study, this is confirmed in terms of the relationship between the focal firm and its connecting partners. IT makes it possible for each actor to communicate more effectively with others in the supply chain as information is more accessible and flows more effectively between the firms.

5.2.2 Industry Factors

One of the characteristics of a copyright industry is the uncertainty about what products are going to be successful or not (Wikström, 2009). The results of this empirical study show that there is still not a better way of predicting this. The popularity of some products could be based on a variety of factors (reviews, word of mouth etc.) that the distributor cannot evaluate in advance before the product is for sale. According to the interviews, IT has made it possible for the focal firm to
react faster according to the initial sales figure, due to more efficient way of sharing information and communicate electronically. Almost instantaneously, they can contact their suppliers and retailers with strategic information about sales. This is linked to the information presented in the theoretical framework, that an album typically sells at least half of its total sales in the first four weeks following release IFPI (2011). The more efficient and faster the focal company reacts to the initial sales, the higher possibilities from them of maximise overall sales.

5.2.3 Long Tail Effect

Regarding the term 'long tail' (Anderson, 2006), the focal firm needs to manage a larger amount of suppliers due to the vast number of products available, according to the presented term in the theoretical framework. The empirical study shows that the Pyramid ERP system has helped the focal firm with the coordination of this.

According to IMPALA (2012), presented in the theoretical framework, independent music companies focus in general more on their core skills and outsource the rest, mainly because they want to remain agile and flexible. The empirical study confirms that the focal company focuses mainly on its core activities as distributor in the chain, focusing on their relationship with suppliers and retailers. This leaves it up to other third party firms to take care of other functions such as production, retailing and logistics.

5.3 Competitiveness

The interviews, from the different perspectives of the focal company, verify that you cannot operate effectively within the music industry today without the use of IT. Especially if you want to stay competitive or be part of a bigger supply chain within the market. The theoretical framework also raised different views regarding IT and its effect as a competitive advantage. For instance, most companies within the industrial world would simply not be able to compete or survive without continuous IT enabled business transformation (Luftman et al. 2004). Another view is presented, that particular technological innovations can easily be replicated by other firms in the industry (Powell & Dent-Micallef, 1997).

Due to the fact that a majority of the operating firms within the music industry use IT, this has now become a competitive necessity rather than a competitive advantage. Concerns however about being too dependent on IT within organisation were raised, especially from the warehouse manager. Despite this, there was a general acceptance that the firm could not survive without the introduction and development IT has brought to the firm.

The empirical research conducted at the focal company can be interpreted as IT having a positive effect on the firm’s competitiveness. The developments in IT systems, used at the firm, show that an increasing amount of activities now fall under a centrally controlled ERP system.
Interviews with the firm’s employees showed that these systems have increased efficiency and reduced time and cost. There were also significant improvements for individual departmental levels within the firm. The senior management level (CEO) reported that IT has made their daily routines more efficient and saved time, enabling him to focus the firm’s strategy and performance. At the sales level (sales manager), IT has automated tasks, saved time and enabled him to spend more time speaking and meeting customers, building stronger relationships. At the warehouse level (warehouse manager) where IT was reported to have assisting employees with inventory storage and order picking tasks.
6 Conclusion

In this chapter we will summarise the findings that have resulted from the analysis in accordance with the research questions of the thesis.

What affects has IT had on business processes of Swedish independent music industry firms?

The conclusion of this study shows that the basic structure of Border Music’s core business process is remains similar to what it was when the company started in 1982. The use of IT systems within the company has instead made this process more efficient and especially the linkage between the different business process sequences is now operates more effectively.

How has IT affected business processes between Swedish independent music industry firms and its supply chain partners?

This study shows that the complexity of the independent music chain has increased during the recent years due to the ‘long tail’ effect highlighted in both theoretical framework and empirical study chapters. For a distribution company like Border Music, increased amounts of products has increased their importance within the chain to be the coordination link in between the supplier and the customer in terms of the supply chain and its operations. This also includes the utilisation of third party actors within the chain which provide the physical transportation between the firms. IT has been a helpful and necessary tool to be able to manage all these activities in an efficient way.

The varying amounts of IT adoption among the focal firm’s partners has increased the importance for the firm to be flexible when considering business processes. With some firms adopting EDI, as the main communication method for conducting business activities, and others still using more manual ways such as email and telephone. The focal firm therefore has had to adapt business processes to be able to deal with these varying amounts of IT capabilities among its partners.

To what extent has this affected competitiveness of the firms?

The major conclusion to draw with the use of IT within the independent music industry is that it has made the administration part of the core business processes more efficient. This has enabled employees to spend more time on strategic business activities such as enhancing customer relationships and future business planning. In terms of actual competitiveness for these firms, IT is a competitive necessity rather than a source of competitive advantage.
7 Discussion

In this chapter we will present the implications that have resulted from this thesis and recommendations for further studies within this topic area.

This thesis has provided useful findings in relation to the main research problem and questions. We feel that many implications of the research could be developed in further studies. There were issues raised that did not fall under the main topic of this research problem, which did however relate to the industry that we focused on, which can provide a basis for further research.

The strengths of the study have showed how IT has affected the core business processes within the focal company. The use of IT in terms of business processes that crossed to other partner firms was also evaluated. The results showed that IT has had a positive effect within these firms and in enabling them as a chain to remain competitive. However, this study focused primarily on one distribution firm within the Swedish independent music industry. The research obtained from other partner firms was also limited to eleven.

Initial recommendations for further study could be in the form of a more broad, wider view in terms of focusing on several companies within the sector. This thesis took an exploratory approach, however, further studies with a confirmatory approach would be able to investigate further if IT has had a positive effect on business processes or if it has given the firms a competitive advantage. The use of a large scale quantitative industry wide survey could be of particular help for this type of research. We would also recommended a prospective study be undertaken in order to conduct ongoing research which is future orientated. This could also provide more accurate results as the limitations, which were associated with this study, such as errors in recollection of data, would be alleviated.

The third research question in particular, which focused on competitiveness, could be further investigated with an examination of the other major label players in the Swedish music in order to critically evaluate the extent IT enables the independent industry be competitive.

This thesis has highlighted other industry issues that could be the subject of further research. For example, the concept of the ‘long tail’ (Anderson, 2006) and how the focal firm focuses on this market segment could be the subject of further research. We believe that the extent to which how long this ‘tail’ could become and if the actors in the market can ensure that it is commercially viable is very interesting topic for further investigation.

Developments of IT in general have spurred the ‘digital revolution’ in terms of a shifting trend from a supply chain of physical goods, to a supply chain of digital products. The rise in demand of digital formats as opposed to physical has influenced these changes and we believe this could have serious future implications for the focal company and its partner firms. Therefore further research could be recommended into how firms that distribute physical products can find still retain their place in the chain as ‘middle men’ and how they may
adapt to ensure their survival. How can these firms further use IT in order to create value and how their business models will need to change should also be examined.
8 Reference List


Appendix 1 – Focal Firm Interview Guide

Interview Guide (Border Music) – 2\textsuperscript{nd} April 2012

Opening Questions

- Your current position, tasks etc.?
- What is your personal view of IT?
- How does it impact the company?
- In general, has IT changed the business activities of the firm? Has it had a big influence?
- What kind of significance has IT had on business activities between companies according to you?
- Do you feel IT has affected the degree to which you can compete with other firms? (other industry firms, Independent & Major)

General Processes

- What specific areas of the business does IT have an involvement?
- How many different systems are operated? What types/names?
- Is the system standardised or bespoke for the organisation?
- When were they implemented?
- What were the previous systems? Why did you change?
- Has the system had any effects on efficiency? Better/worse/same?
- Have you had to change any business processes to make the system fit?
- Has the new system resulted in any other business process changes?
- Are there any future plans for further adoption of new IT systems or redesigning of business processes?

Connecting Processes

- What activities or business processes involve other firms in the supply chain?
- What IT systems/functions operating within these processes? How have they changed?
- What has driven changes in terms of adoption/switching of IT systems? (within the firm or outside influence)
- Has IT had any impact on efficiency on these processes?
Appendix 2 – Partner Firm Interview Questions (English)

Hello,

We are International Logistics and Supply Chain Management students from Jönköping International Business School. As part of our Master Thesis we are investigating how IT has affected business practices within the Swedish independent music industry and how it has affected competitiveness within our focal company, Border Music.

We would be very grateful if you could assist us by answering as best you can, the following questions. We would like to find out in particular about IT systems (databases, EDI, email etc.) that you use in connection with business activities with Border Music, and the functions that they support (e.g. purchasing, stock checking, delivery & payments).

Matthew Hailey and Martin Jonasson

Questions

Your current position in your company, tasks etc.?

What is your personal view of IT?

How does it impact your day-to-day tasks?

How many different systems do you use that involve business activities with Border music? What types/names?

- Is the system standardised or tailored for the organisation?

- When were they implemented?

- What were the previous systems? Why did you change?

Have these IT systems used with Border Music had any effects on efficiency of connecting business activities? Better/worse/same?
o Have you had to change any business processes to make a particular system fit?

o Has the new system resulted in any other business process changes? E.g. automating, streamlining, reduced human input (reduced employee involvement?)

What has driven changes in terms of adoption/switching of IT systems? (within the relationship or external influences)

Has IT had any impact on efficiency on these processes?

Are there any future plans for further adoption of new IT systems or redesigning of business processes? (between your firm and Border Music)

Please email the completed questionnaire to hama1121@student.hj.se

Thank you for your time and co-operation.

Matthew and Martin
Appendix 3 – Partner Firm Interview Questions (Swedish)

Hej,

Vi är två studenter som studerar Logistik och "Supply Chain Management" på mastersnivå på Jönköpings Internationella Handelshögskolan. Som del av vår masteruppsats undersöker vi hur IT har påverkat hur man gör affärer inom den svenska oberoende musikindustrin och hur det har påverkat förmågan att vara konkurrenskraftig för företaget vi fokuserar vår studie på, Border Music.

Vi skulle vara väldigt tacksamma ifall ni skulle vilja hjälpa oss med att besvara följande frågor så bra som möjligt. Vi skulle framförallt vilja veta om IT-systemen (databaser, EDI, e-mail osv.) som ni använder i anslutning till Border Music och funktionerna de stödjer (till exempel inköp, lagerstatus, leverans och betalning).

//Matthew Hailey och Martin Jonasson

Frågor

Din nuvarande position i ert företag, arbetsuppgifter etc.?

Vad är er personliga åsikt om IT?

Hur påverkar det ditt dagliga arbete?

Hur många olika system använder ni i anslutning till Border Music? Vad för typ av program/namn?

  o Är systemen standardiserade eller specialgjorda för ert företag?

  o När infördes dem?

  o Vad hade ni för system tidigare? Varför ändrade ni?

Har dessa IT-system som används i anslutning till Border Music påverkat effektiviteten i ert samarbete? Bättre/sämre/samma?

  o Har ni fått ändra något i hur ni gör affärer för att få ett speciellt system att fungera?
Har det nya systemet resulterat i några andra förändringar i er organisation? Till exempel automatisering, rationalisering, minskad mänsklig input (minskad personalstyrka?)

Vad har drivit ändringar i form av anpassning/ändring av IT-system? (inom ert samarbete med Border Music eller externa influenser)

Har IT haft någon påverkan på effektivitet på dessa processer?

Finns där några framtida planer på vidare tillämpning av nya IT-system eller ändring av affärsprocesser? (gällande samarbetet mellan ert företag och Border Music)

Var vänlig och skicka det ifyllda frågeformuläret till joma1189@student.hj.se

Tack för er tid och samarbete!
//Matthew och Martin