FROM RESOURCES TO VALUE AND BACK:
NORMAL AND COMPLEMENTARY ASSETS IN
20TH CENTURY POPULAR MUSIC
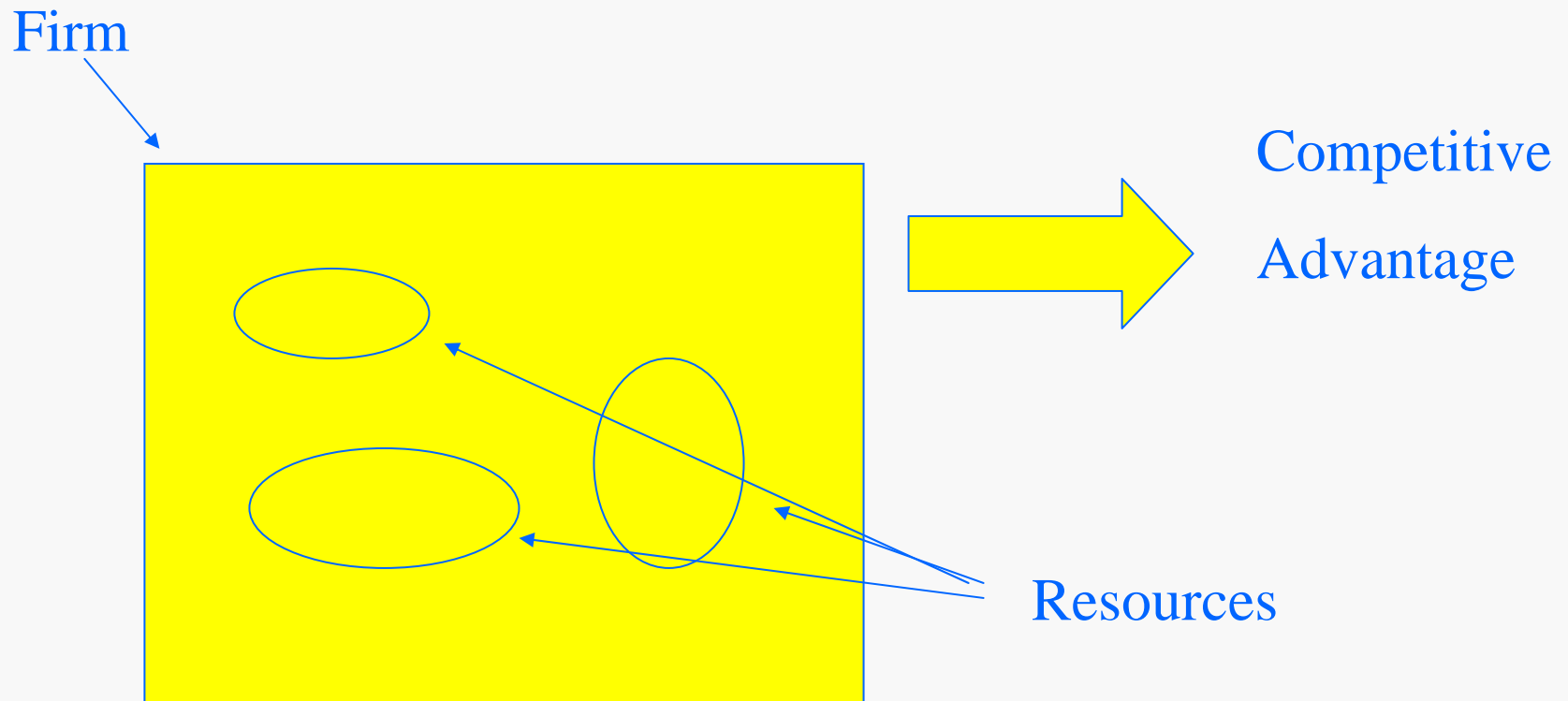
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RuG

Resource based view (RBV)

Resources

- valuable

- scarce

- inimitable

- non-substitutable

Some problems with RBV

- What is the meaning of 'valuable', apart from scarce, inimitable & non-substitutable?

- What are 'resources'?

- Are there different types of resources?

- What is the relation between the value of resources and the value of products?

- *How to make RBV a real theory?*

- Solving RBV's problems by looking at value from the perspective of the selection system
- Which leads to new definitions of different types of resources
- And helps to use RBV as a real theory to analyse problems such as the *logic of payola*

Theory

- Value & competition

- Selection systems

- Teece on complementary assets

- Assets & selection systems

- Definitions of normal & complementary assets

Value & competition

- Creating value
- Protecting value
- Capturing value

Competition, described in terminology of the selection system

- The selection system
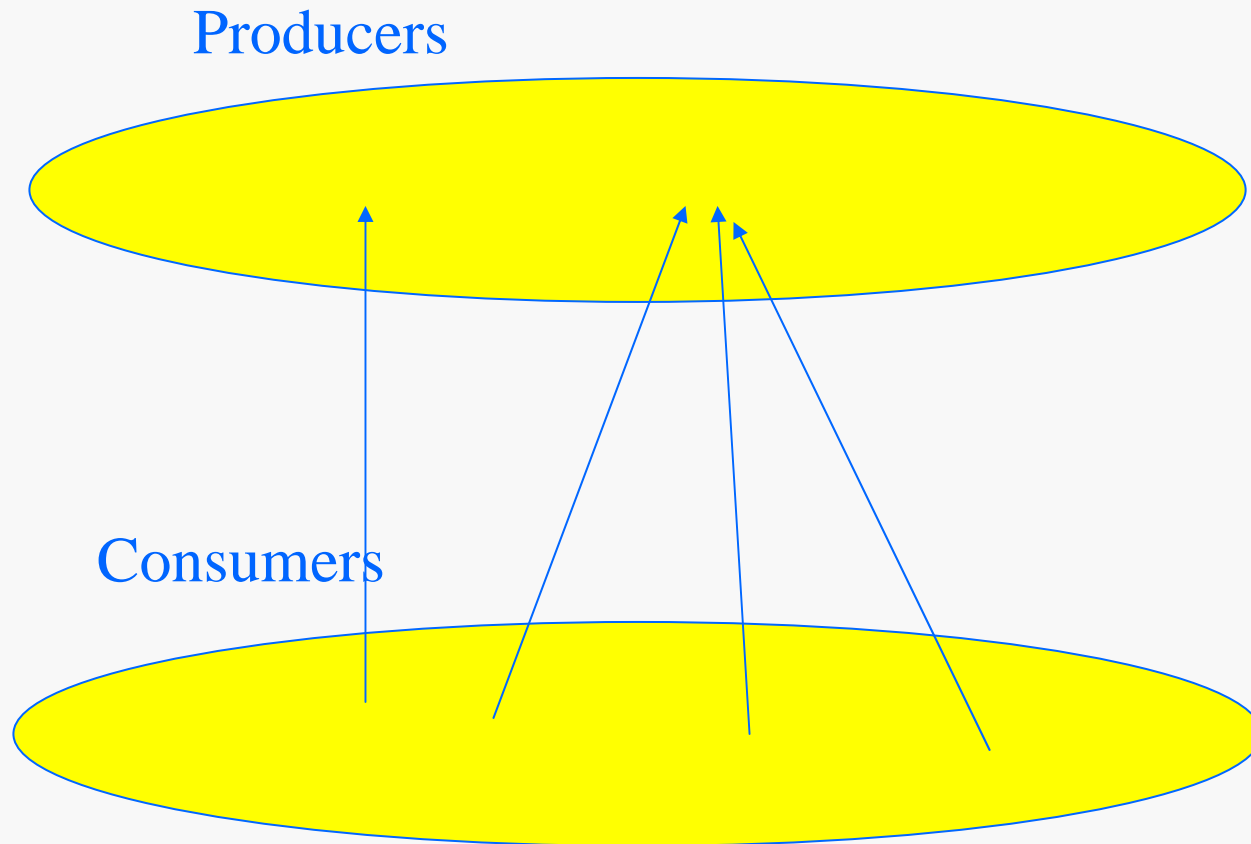
- The selected

- The selectors

Selection systems

- Market selection

- Peer selection

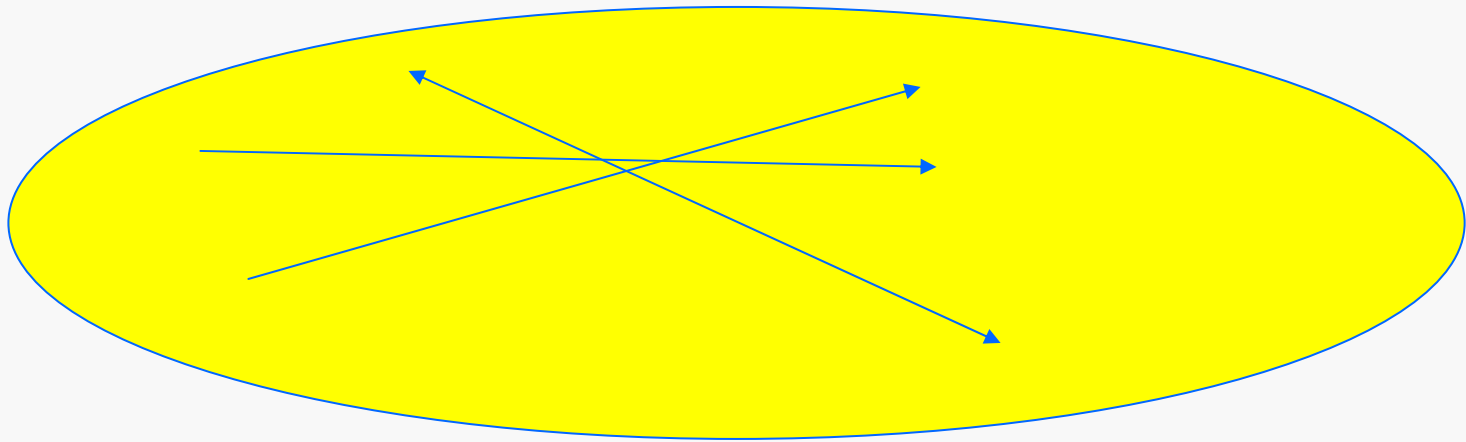- Expert selection

Actors in selection system

- Producers

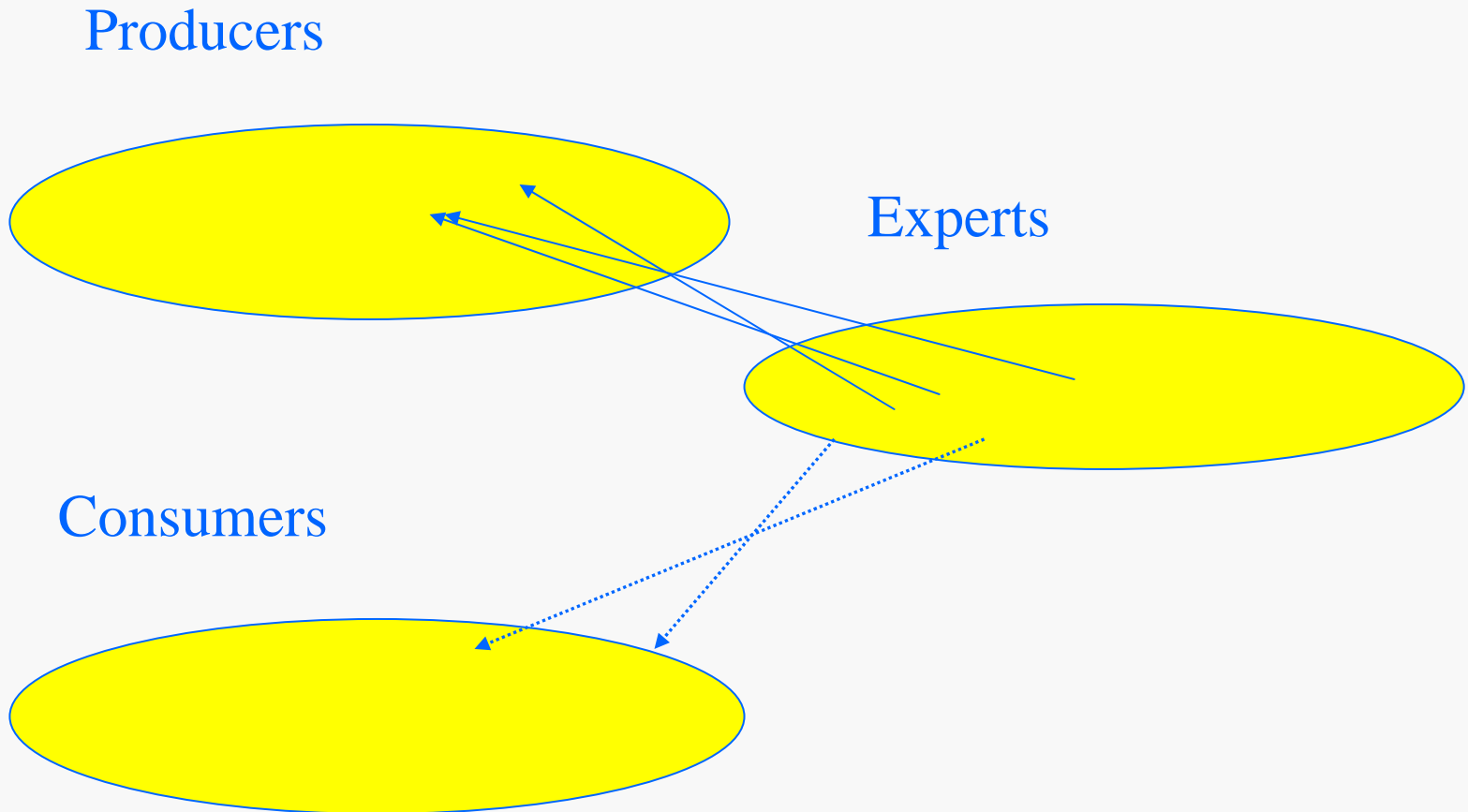- Consumers

- Experts

Peer selection

Producers

Expert selection

Producers

Experts

Consumers

Teece (1986)

- Makes a distinction between (formal) IPR and complementary assets that also serve to protect competitive advantage of innovator
- In doing so, links lateral competition with vertical competion

Teece's complementary assets?

- Assets for distribution & retail
- Assets for marketing/publicity
- Assets to enter (geographic) markets
- Assets to set standards

Teece's complementary assets are:

- Mainly value creating assets
- Not invariant within the value system

- Value means value in the eyes of a particular set of selectors.

- The value of inputs/assets that are used to make output/assets should be derived from the value of these output/assets.

- Other assets? $\longrightarrow$ Complementary assets

– *Normal Assets are those assets with which a firm produces the product-characteristics that have value according to the set of criteria as defined by the relevant selectors.*

Ex-Ante Complementary Asssets

- *Ex ante complementary assets are those assets that can be used by a producer to <u>either</u> effectively enter a particular selection system as one of the selected <u>or</u> prevent rivals from doing so.*

Ex Ante Complementary Assets

- Are not just to manage entry/no entry, they also can serve to increase level of entry & chances of valuation
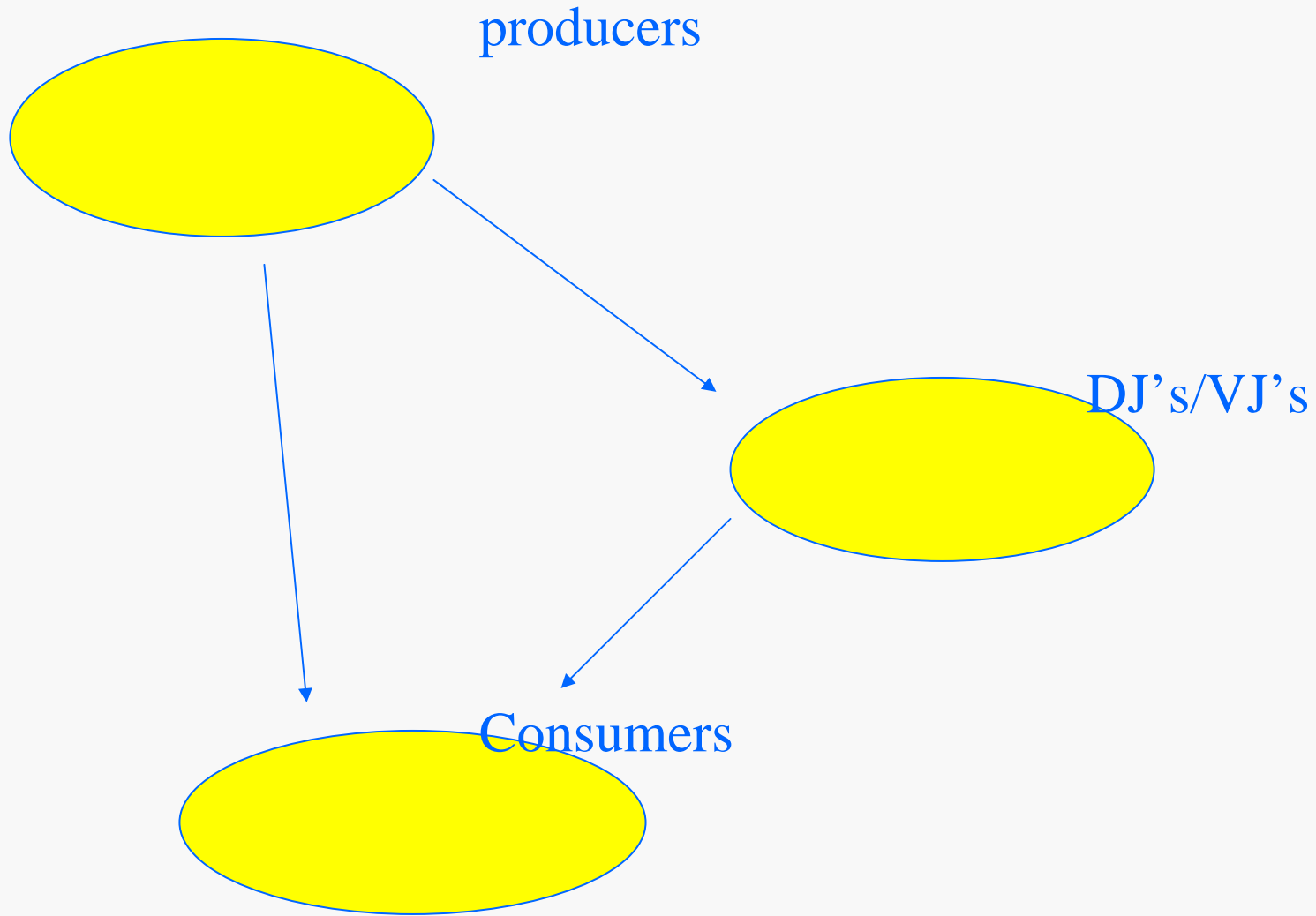
Ex-Post Complementary Assets

- *Ex post complementary assets are those assets that enable a firm to either effectively prevent rivals or allow itself to engage in competitive imitation of the product characteristics for which the relevant selectors have defined a set of criteria.*

Complementary assets are those assets that can be used by a firm:
to either
effectively enter a particular selection system as one of the selected
or
prevent rivals from doing so
as well as
to either
effectively prevent rivals
or
allow itself to engage in
competitive imitation
of the product characteristics for which the relevant selectors
have defined a set of criteria.

Payola:

- Pay for play
- "Bribes" from producers to relevant selectors
  - First: bandleaders & famous singers
  - Later: radio dj's
  - Later: dj's & vj's

producers

DJ's/VJ's

Consumers

Payola & the ability to payolize =

Ex-Ante Complementary assets

Possesion of ex-ante complementary assets explains:

- Balance of power between large firms ("majors") & small firms ("indies")

- Balance of power within the value system (between artists, publishers, record-producers, retailers)

Adds up to:

- Defining types of resources/assets
- On the basis of their function in the competitive process,
- Creating, protecting and capturing value
- In the relevant selection system.

Moreover:

- Making RBV a real theory

- With clearly-defined concepts

- Which can be operationalized

- And used to test hypotheses empirically

With broader implications concerning:

- Industry life-cycles
  - Collective use of ex-ante complementary assets to "legitimize" a new product category/industry
- Barriers to Entry
  - Deriving different types of natural/strategic barriers to entry from distribution of different types of assets
- International Entry

International Entry

- Ex ante complementary assets to achieve international entry
- Ex post complementary assets to imitate international rivals or defend against imitation

Distribution of complementary assets explains accessibility market to international entry

Which also helps to explain the (evolutionary) dynamics of the relevant industry and its resulting contribution to international trade