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# **On Policy and Proximity in the Music Industry in China**

**An investigation of policy intentions and experiences**

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## **Abstract**

China is promoting the development of “music industry system” in recent years, by publishing policies and regulations that supporting music industry system with funding, clusters, protecting copyrights, and so on, in both national and regional policies like Chengdu. The difference between yearly developing reports of music industry in 2018 and experiences on the ground shows in the growing of the digital music and live performance on the national level but declining on the level of independent musicians. The gap between the policy and the experiences on the ground is due to misuse of “music industry system”. This gap results in the requirement for understanding policies, on-the-ground experiences, and the relation between them.

A concept framework of proximity (cognitive, social, institutional, organizational, and geographical proximity) based on previous frameworks and the context of China is built to understand the policy documents and on the ground experiences. The concept of proximity is suitable for analyzing the music industry because its relationship with innovation, building trust in social network and promoting cooperation are all suitable to the instincts of music industry system, especially the experiences of independent musicians. This thesis chose national and regional policies that influence Chengdu and the economic activities of Modern Sky and its independent musicians as the case study of policies and proximity in the music industry of China.

The study indicates that there exist similarities and differences between policy and experiences. Policies shows significant promotion to music companies and independent musicians, but has negative influence on the musicians as well, which mainly shows in the copyrights and too much organizational proximity. Different levels emphasize different dimensions of proximity. In the policy level, institutional proximity, organizational proximity and geographical (clusters) are emphasized, on the company level, organizational proximity, social proximity, and geographical proximity are emphasized. On the musician level, social proximity, cognitive proximity, organizational proximity, and temporal geographical proximity are emphasized. The difference between policies may come from the conceptual gap of “music industry system”. The differences in emphasis are due to the instincts of music industry system.

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# 1 Introduction

## 1.1 Background of Music industry and Independent Musicians

Recently, the Chinese government is diligently accelerating the development of music industry by formulating laws and regulations, setting standards for funding and tax reducing to support music companies, promoting globalization of them, and establishing cultural or music industry clusters (Document 1-6). For example, these strategies are reflected in the national documents like *Several Opinions on Vigorously Promoting the Development of China's Music Industry of the State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China (2015)*; and *The Notice on Commanding online music service providers to stop unauthorized distribution of music works (2015)*; and regional policy document like *Chengdu Municipal People's Government's opinions on Supporting the Development of The Music Industry (2016)*

It seems that the music industry in China is also developing rapidly generally. In 2018 China's National Report of The Music Industry, music industry occupied 347 billion Chinese Yuan in the market, in which digital music is the most popular form of music works, and the economic activities on live performing is growing rapidly (Document 7). About digital music, it shows that digital music occupied the largest market share of all the music producing industries, which was, approximate 58 billion Chinese yuan in 2017 (Document 7). About live performance, it indicated that it reached 17 billion Chinese yuan in the market in 2017 (Document 7).

However, there is also a report from Net Ease music (Document 8) in 2016 about independent musicians, of which the situation relates to music industry is conflicted with the report of music industry. Independent musicians are the musicians who are writing, playing, and recording music their music. Their music genres are not mainstream and are spread online as digital music. They performance live as one of their main economic activities. Both are the prospering sectors according to the report of music industry above. Even so, according to the report about independent musicians from Net Ease music in 2016, most of them are still facing difficulties in promoting and paying their music work and relying on their music works to earn their living (Document 8; Interview 1). NetEase Music is one of the largest digital music platforms in China, in Dec. 2016, it conducted the survey with 4414 independent musicians who registered on its

website. The report showed that most of the independent musicians in China get less than 1,000 Chinese yuan from their music works (which was approximately equal to 150 USD in 2016), even though in recent years more and more independent musicians are becoming more and more active and famous (Document 8). Independent musicians' income from their music activities is through live performances, which means, if they cannot hold live performances, they will barely have incoming from their music published on the Internet (Document 8). At the same time, the social network, and platforms for independent musicians to promote their music are limited (Document 8).

Generally, most independent musicians tend to join independent music labels or music companies. Modern Sky is the first and the largest independent music recording company in China (Yin, 2015), which is now becoming an international music company and is still doing independent music, along with other business, such as music festival, visual design, sports and so on (Document 9).

Therefore, even though the policy documents and national report above are all aiming to achieve the rapid development of music industry and, even though the prosperity can be obviously seen on the level of companies, benefits from policies are not clearly seen on the musician level. There may exist gaps between policies intentions and experiences on the ground.

To understand this, a theoretical framework of proximity with five dimensions is developed. The five dimensions are based on Boschma's (2005) framework of proximity, and combined with Torre & Rallet's (2005) and Kirat & Lung's (1999) frameworks, as well as 'guanxi' in China's social context: cognitive, social, organizational, institutional, and geographical proximity. This will be indicated in the section of theoretical framework.

## **1.2 Concept of Proximity, Music Industry, and Independent Musicians**

Proximity is a both physical and social concept, which relates to the closeness between organizations or/and individuals under social, institutional, organizational and some other background. Proximity is important in the economic activities in promoting knowledge learning and innovation, organizational cooperation and building trust through same or similar social or institutional background. There are different conceptual frameworks that are built for different dimensions of proximity, like Boschma' (2005) five dimensions of proximity and Torre & Rallet's (2005) two types of proximity. These frameworks are built under different

circumstances in order to answer different questions: like how to analysis dimensions of proximity without overlapping (Boschma, 2005); and to distinct geographical proximity from organized ones and with co-location Torre & Rallet, 2005).

Music industry is an industry with innovation and cooperation. Its marketing products are more relying on their “differentiation” than prices (Lorenzen & Frederiksen, 2005. P205). Within and between music companies, different sections like singers/musicians, marketing, composers, all standing for different work routines and motivations of innovation, which need proper common regulations to cooperate with each other (Lorenzen & Frederiksen, 2005). These activities are all related to the concept of proximity indicated above. Therefore, building a suitable proximity framework according China’s background can help to understand the policies and on-the-ground experiences in China’s music industry.

### **1.3 Research Purpose**

Therefore, this thesis aims to 1) understand the policies on music industry and on-the-ground experiences of music company and independent musicians, by building a suitable conceptual framework of proximity based on the literatures and according to China’s background; 2) to understand the gaps by analyzing the similarities and differences between them.

Since the important background of Modern Sky in independent music labels (Document 9), and since it is also now building a southwestern headquarter in Chengdu (Document 9&10), which is under the background of regional policies in Chengdu that is mentioned in the background of policies, Modern Sky and its independent musicians are chosen for the case study of the experiences on the ground; and the national policies and Chengdu’s regional policies (which are still in efficiency) are chosen for case study in policy analyzing.

### **1.4 Research Questions**

#### **1.4.1 What dimensions of proximity are manifested in the policy documents and on the ground experiences?**

- What promotions/strategies are adopted in the policies and experiences on the ground?

- What are the roles of five dimensions of proximity in the policy documents and on the ground experiences?

#### **1.4.2 How are the policies related to the on-the-ground experiences according to dimensions of proximity?**

- The similarities of dimensions of proximity in policies, music companies and musicians
- The differences of dimensions of proximity in policies, music companies and musicians

### **1.5 Research Method**

Document analysis is adopted to analyze 6 national and regional policy documents and regulations policies to answer the first question on the dimensions of proximity that are manifested in the policy documents.

About the proximity in on-the-ground experiences, interviews, and document analysis are all used. Semi-structured in-depth interviews are conducted on the main singers of two independent music bands in Modern Sky. The transcripts of interviews are analyzed according to five dimensions of proximity. Document analysis are conducted on The latest national report on music industry, the 2016 survey on independent musicians by NetEase music, Modern Sky's instruction and big historical events and the cooperating network and main personnel of Modern Sky.

### **1.6 Overview of The Thesis**

This thesis starts with literature review on proximity and music industry system, in order 1) to indicate the suitability of building conceptual framework of proximity in understanding music industry; 2) to build the conceptual framework of proximity and music industry system, helping in defining various statements in different analyzing materials; and 3) to understand the instincts of music industry and independent musicians. The literature review sets the foundation for further analysis of the documents and interviews.

Then the thesis indicated the background of policies and main activities of independent musicians, live performance, showing the requirement for exploring the relations between the activities on the ground and the policies. On indicating

the background of policies, this part focuses on comparing the usage of “music industry system”, with the conceptual framework, and found the difference which shows that the concept of the “music industry system” ignored the different represents in benefits, rights in its activities, but represent it by the same mode of developing. This shows the gap in concept that cannot cover the aspects about independent musicians in the “music industry system” according to the policies. On indicating the activities of live performance, the main activities of independent musicians for obtaining income, the importance of proximity is shown in the need of innovation and social relations. The background gives insights in the further analyzing of proximity in the context of China’s music industry.

The methodology is indicated after that, followed by the results and analysis, answering the research questions on “dimensions of proximity that are manifested in the policy documents and on the ground experiences” and “how the policies are related to the on-the-ground experiences according to dimensions of proximity” respectively. In the last section of the analysis, the findings on the research material are related back to the conceptual, literature and China’s background to get understandings on the findings.

## **2 Literature Review**

### **2.1 Introduction**

In this section, the framework of the concepts is set up, and previous researches on music industry is reviewed. First, the roles of proximity in understanding innovation activities is indicated. Second, the framework of proximity is built, primarily based on the five dimensions of proximity formulated by Boschma (2005), along with Torre and Rallet’s (2005) two types and Kirat and Lung’s (1999) four types of proximity. Third, the concept of “music industry system” which not only emphasizes on the activities’ diversity and relatively independence on benefits, rights and products in music industry system, but also includes the interaction between these activities. Fourth, the framework of proximity is related to music industry, to show the suitability to understand music industry by dimensions of proximity. Finally, the concepts of independent musicians, music labels and mini-major music company will be indicated according to both literatures and the definitions of independent musicians and labels of the recent statistics on music industry. The literature review section has settled the concept and literature

background for abstracting the dimensions of proximity and analyzing the policies and on the ground experiences through the dimensions of proximity.

## **2.2 Proximity**

The reason for this thesis' choosing of the framework of proximity to analyze the policies and activities of music industry system is that it is intimately associated with the understanding the economic activities that are related to innovation and collaboration (Amin & Wilkinson, 1999; Balland, 2012; Boschma, 2005; Boschma & Frenken, 2006; Kirat & Lung, 1999. etc). This importance of proximity will be reviewed in the following paragraphs. Proximity has divergent functions or relationship with various aspects of collaborative innovation in economic activities. Also, the frameworks of proximity are various due to the variety of background of researches (Boschma, 2005; Rallet & Torre, 1999; Kirat & Lung, 1999. etc). Therefore, a framework that is suitable in the China's background that adjusts the concept of "guanxi" in proximity in the proximity is built mainly based on Boschma's (2005) five dimensions of proximity and the conceptions in Kirat & Lung (1999) and Rallet & Torre's (1999) four and two dimensions of proximity.

### **2.2.1 Proximity in Economic Activities**

Proximity is a concept that not only physical, like clusters, but also about the similarity and relations of social, political technological and some other context that is related with economic activities. Both physical and non-physical aspects of proximity are highly considered in economic activities and can constitute the precondition for knowledge accumulation and diffusion for innovation and promote the evolution of innovation and collaboration. These importance in economic activities is illustrated below.

First, proximity is associated with knowledge exchanging, diffusion and building social network within produce trust among people in economic activities. On the aspect of knowledge exchanging, it is declared that proximity is related to the procedure of collective learning which shapes the foundation of territory of economic agents or actors (Kirat & Lung, 1999). Continuous knowledge learning and adoption are elemental for companies to survive the competition with their competitors (Amin & Wilkinson, 1999). There are two types of knowledge, tacit knowledge, and codified knowledge, diffusing within innovation systems. The diffusion of tacit knowledge cannot be executed without "frequent face-to-face relations" (Rallet & Torre, 1999. P373). As a result, even though

the communication technology is becoming more and more mature and the economy is globalized, geographical proximity, which is, short spatial and time distance, is still required to enable face-to-face communications (Rallet & Torre, 1999). Additionally, proximity is not limited in physically short distance, nor this short distance is sufficient to build the tight network of tacit knowledge sharing. Proximity of cognition, social network and context, are the bases of communication and trust, for transferring professional knowledge among agents or actors, and influencing companies' choice of partners (Rallet & Torre, 1999).

Second, proximity is strongly influencing actors' collaborative behaviors so that the evolution of collaboration network. These behavior changes are manifested in the collaboration between companies, the cooperation of organizations and even the collaboration between universities and companies. As indicated above, trust, which is built on social or institutional proximity, can affect their choosing of partners (Boschma, 2005; Rallet & Torre, 1999). Therefore, even though there are more professional potential partners within the region they belong to, companies would rather choose the partners outside of the region, because they trust them more (Rallet & Torre, 1999). Also, the proximity of social and political background is taking part in the decision making. The understanding and analyses of those behaviors need to include the deciders' position, their political alliance and so on, which are related to social and institutional proximity (Granovetter, 1985). Additionally, it is also proved that those companies that are working in a cluster in which technological activities are dense are more likely to have the ability to have partnership with companies with long distance (D'Este, Guy, & Iammarino, 2012).

Finally, proximity can also have negative effect on innovation and collaboration. First, from the perspective of knowledge flowing, if the ties between actors are too strong, new competence, which is based on the knowledge and ability to accept and accumulated knowledge, may be rejected if it comes from outsiders (Amin & Wilkinson, 1999). Second, inside one economic network, the connection that built by trust or royalty, can also reduce the opportunities for innovation and feedback (Boschma, 2005). Third, geographical proximity, which may result in co-location, reduces skill transfer and declines skill-base (Nobeoka & Cusumano, 1994). Fourth, from the perspective of regional diversity, which is a crucial element of economy, the diversity can be deliberately damaged by strong proximity. For example, some actors belong to other races and classes are not welcomed to join a certain neighborhood (Torre & Rallet, 2005). Blocking different classes or races is also hindering the formulation of geographical proximity (Torre & Rallet, 2005). In another situation, as indicated in the former section,

actors tend to have a partnership that is based on trust, while this trust is based on the social, political contexts that is not so friendly to those “outsiders” that with better innovative abilities but without strong ties connecting with them to gain their trust. Finally, in terms of resources, geographical proximity is also unwelcomed sometimes. Conflicts can be raised because the unequal usage of space, as well as the pollution of the resource by neighbors (Torre & Rallet, 2005). Nevertheless, it is possible to be predicted and even overcome those conflicts coming from geographical aspect by using the proximity based on other relations (Torre & Rallet, 2005).

In sum, innovation and collaboration in economic activities are strongly related with proximity, because the precondition of these activities, like knowledge spillover, trust, professions, and so on, cannot be understood or achieved without proximity. More foundationally, if proximity is deconstructed into different types or dimensions in specific background, on the one hand, those types or dimensions can work as a solution for problems that made by others (Torre & Rallet, 2005), or magnify others disadvantage that typically result in lock-in (Boschma, 2005). On the other hand, the fact that different dimensions of proximity can work together to strengthen one another (Boschma, 2005) has positive influence. For example, co-location provides the same (or similar) social background for the actors, which, as illustrated above, is what the establishment of trust among the actors based on, is likely to increase knowledge flow. These different frameworks for understanding distinct types or dimensions of proximity will be indicated in the following section.

## **2.2.2 The Framework of Proximity**

### **2.2.2.1 Previous Frameworks of Proximity**

There are different frameworks and theories about proximity in researching. These frameworks share common grounds but also vary in different definitions of dimensions of proximity. Three frameworks of proximity built in the literatures are summarized in Table 1. Also, the reason for choosing Boschma’s (2005) five-dimension proximity framework will be indicated in the next paragraph, through comparing the emphasizes and advantages of these frameworks. This will shed light on the framework of proximity for this thesis.

Firstly, the scope of activities that the five-dimension framework are analyzing shows its suitability for the analyzing policies and the activities of independent labels and

musicians. The four-type framework is mainly for analyzing the building of territories for collective knowledge learning (Kirat & Lung, 1999), and the two-types framework of proximity is mainly for separating the transporting cost (geographical proximity) and the relational based proximity, as well as the form of proximity in the context of globalized and digital era (Torre & Rallet, 2005). Secondly, all the types of proximity in the other frameworks are reflected in the five-dimension one, except some difference in conceptions and several elements and the positions where elements of proximity are placed. Thirdly, the five dimensions also elaborated in detail the potential results of too much or less proximity and solutions, and the relationship between them. Therefore, it provides a non-overlap and more complete framework for proximity, which is suitable to make the foundation of framework for the analysis the collaborative activities of independent musicians and labels. However, these activities are associated tightly with innovation and in the context of the digital era, and also are on the Chinese social background, therefore, its content needs to be enriched by not only the other frameworks, but also the Chinese social background, which will be indicated in the next paragraph.

**Table 1 Comparison of the framework of proximity**

	<b>Purposes or Background</b>	<b>Geographical Proximity</b>	<b>Cognitive Proximity</b>	<b>Technological proximity</b>	<b>Institutional Proximity</b>	<b>Social Proximity</b>	<b>Organizational Proximity</b>	<b>Organized Proximity</b>
<b>Four Types Kirat &amp; Lung (1999)</b>	Examine collective learning processes and the formulation of territories	1) Physical distance 2) Form territories with technological proximity under certain rules	Not included	1) Vertical: within the process of R&D production 2) Horizontal: similarities in production	1) National level: setting common rules 2) Regional or urban level: institutional thickness	Not included	1) Financial/economical dependence, same strategies and routines formed by institutional background; base on cognition 2) Social network: channel for innovation	Not included
<b>Five Dimensions Boschma (2005)</b>	1) Understanding the roles of different dimensions of proximity in innovation 2) Building a non-overlapping framework for analysis	1) Physical and time distance 2) Promoting other dimensions 3) Lock-in	1) Knowledge flowing 2) Lock-in 3) Distance is needed	Not included	1) Trust 2) Macro-level 3) Lock-in 4) Formal and informal institution	1) Trust 2) Micro level 3) Lock-in 4) Distance is needed	1) Within or between organizations 2) Control: reduces uncertainty and opportunism 3) Lock-in 4) Loose Coupling	Not included
<b>Two Types Torre &amp; Rallet (2005)</b>	Clarifying the distinction between geographical proximity and localization	1) Physical and time distance 2) Temporary co-location is sufficient for the need of face-to-face	Not included					1) Relational based proximity 2) Intra-organization relationship 3) Take the place of geographical proximity in certain circumstances

### 2.2.2.2 Five Dimensions of Proximity

In this thesis, proximity is understood in five dimensions, cognitive, social “guanxi”, organizational, institutional, and geographical proximity. This framework is founded on Boschma’s (2005) framework, cognitive, social, organizational, institutional, and geographical proximity.

#### Cognitive Proximity

Cognitive proximity means that “people share the same knowledge base and expertise may learn from each other” (Amin & Wilkinson, 1999; Boschma, 2005, P63). This is also reflected in Kirat & Lung’s (1999) technological or industrial proximity, where the common professional knowledge comes from both vertical and horizontal aspects: the relationship between the actors that are coexisting within the procedure of R&D and producing and the linkages between actors that are sharing similarities in production (Kirat & Lung, 1999). Economic actors rely on their knowledge to make the best decisions as they can, and establish the certain routines to confront themselves with the uncertain circumstance (Boschma, 2005).

Cognitive proximity acts as a precondition for the occurring of interactive learning which is within the processes of knowledge flowing (especially tacit knowledge) and creating (Boschma, 2005, P63). This means, a basic level of cognitive proximity is required for actors to accept new knowledge (Boschma, 2005). However, cognitive distance should not be diminished because of the requirement for innovation, which implies the emergence of new knowledge (Boschma, 2005). To sustain the distance of cognitive proximity can still exists, for specific competence of firms should not be defused and grafted easily or involuntarily (Boschma, 2005; Hamel & Prahalad, 1990), for too much cognitive proximity makes the “involuntary spillovers” more easily to happen, especially between the competing companies (Boschma, 2005, P64).

#### Social Proximity

Social proximity is still based on the “socially embedded relations between agents and micro-level” (Boschma, 2005, P66) and the Chinese term “guanxi” may enrich the concept of social proximity. In Chinese social context, “guanxi” is a Chinese word representing special kinds of social relationship that is in which moral standards is reflected, and operating with the principles of reciprocity (Chen & Chen, 2004). “Guanxi”

can be considered chronically, dynamically and dyadically, rather than tight or weak social networks or embeddedness of actors (Chen & Chen, 2004). According to Li, Wood, & Thomas (2017), “guanxi” is an important element in the processes of exercising innovation of music festival, which can be both positively and negatively.

Some scholars analyzed dimensions analyzed “guanxi” in dyadic views and others in network views (e.g. Yang, 2001, Hwang, 1987, Chen & Chen, 2004, etc.). This thesis adopted the view of Chen & Chen (2004) that “guanxi” is based on “guanxi” dyads that build up social network. An example for explaining the “guanxi” dyads is that, (according to Chen & Chen 2004 and one of the Chinese traditional virtues), in the same Chinese family, the relationship, “guanxi”, between husband and wife, father and children and siblings are rigidly defined even totally isolated. For instance, according to Chinese traditional moral standards, the eldest son should be regarded as, of course a little lower than, the father and take the responsibility of educating the other children, mostly morally.

Even though “guanxi” belongs to social network, comparing the analysis of Chen & Chen (2004) to the previous frameworks about social proximity, “guanxi” in Chinese culture is special in four aspects: 1) the bases of building “guanxi”; 2) the types or hierarchy of relationship among “guanxi”; 3) the principles of reciprocity of building “guanxi”; and 4) the application of “guanxi”. “Guanxi dyads” are the basic components of social network (Chen & Chen, 2004).

First, about building “guanxi”, “guanxi” dyads are built on common social identities, common third parties and the same anticipations of business (Chen & Chen, 2004). The social identities are mostly more than and do not emphasize on demographic attributes like ethnic, gender or education, but emphasis on the context of people like sharing the same birth place, graduated from the same school, and work in the same organizations (Chen & Chen, 2004; Jacobs, 1982; Tsui & Farh, 1997). Those experiences are not necessary sharing common time periods and even personal interactions are not necessary (Chen & Chen, 2004). Additionally, the birthplace can be the same village, city, or even the same province.

Second, the example described above about “guanxi” dyads are also related to hierarchy system of social relationship that is built by “guanxi” (Chen & Chen, 2004). That means, when people have a network of “guanxi”, it will automatically have its social hierarchy. Some kinds of “guanxi” like father and son are morally prior than most of the others.

Third, the principles of trust, affection, obligation, and reciprocity are used in building “guanxi”. Trust can be built through both formal and informal institutions, affection is mostly built with families and friends, and obligation is in the business processes (Chen & Chen, 2004). The general ideas of reciprocity are not specific, but a “long-term orientation” is more valued than the immediate one (Chen & Chen, 2004). As Chen & Chen (2004, P317) illustrated:

*In close teacher-student relationships, the student owes a lifelong debt to the teacher just like children to their parents. Although debts need not be paid at once, great efforts are made to remember the debt and to keep exchanges in balance in the long run.*

Fourth, about the application of “guanxi”, “guanxi” dyads are not always firm relationship that is hard to be shaken. The application of “guanxi” is always used as asking for help and giving a favor (Chen & Chen, 2004). How each problem is solved and whether a request is granted can be a re-evaluation of “guanxi” and can also influence the long-term relationship and even break the “guanxi” (*ibid.*).

Putting “guanxi” into social proximity, to show its roles in economic activities, there are advantages from certain degree of proximity, and disadvantages from too much proximity, and “guanxi” dyads may prevent the formulation of too much social proximity. First, social proximity promotes, and is also one of the prerequisites of, the transfer and learning of tacit knowledge which inspires the formulation of cognitive proximity and may promote innovation (Boschma, 2005, P66). Second, the trust built in the social network among actors avoid the tendency of forming fragile “pure market relationship” which is difficult to survive through the troubles between actors (Boschma, 2005, P66). When trust and tight relationship between actors are established, tacit knowledge will be given a better condition to be transferred and learned (Boschma, 2005). When formal institution background (like laws and rules) is not strong enough, social proximity can compensate the missing trust (*ibid.*). Third, embeddedness of social relations (social proximity) and social distance need to be balanced to achieve effective innovation (*ibid.*). It is argued by Boschma (2005) that shortcomings will arise when the tightness of social network is more than needed, for strong social relationships may block the outsiders and may decrease the risk of opportunism to some extents that cause the neglect of the requirement for opportunism in those highly uncertain and continuously changing markets. However, to some extents, the network that is built by “guanxi” dyads does not necessary reject outsiders, rather, it may adopt newcomers gradually. Because “guanxi”

can be achieved by some similarities between two peoples even do not need any earlier interaction and be broken with the re-evaluation of it as the time passing by. Because of the attribute of hierarchy in “guanxi”, the hierarchy relationships are not only built through organizational proximity (Boschma, 2005), but also the result of the hierarchy system of social “guanxi” proximity, which is the main reason for lock-in, rather than the rejection for the outsiders.

### Institutional Proximity

In contrast to social proximity, institutional proximity refers to the formal and informal institutional relations at the macro-level (Boschma, 2005, P66). Institution here, is defined as “sets of common habits, routines, established practices, or laws that regulate the relations and interactions between individuals and groups” (Edquist & Johnson, 1996. P46). Institutional proximity plays the role of setting common rules on national level, representations and industrial models as institutional thickness on the regional and urban level, and small-scale local “stage” respectively on local level (Kirat & Lung, 1999, p35). Institutional thickness refers to the local economic agents or actors or agents or actors’ embedment in innovation process, which shares not only the same rules, but also culture, values and purposes (Amin & Wilkinson, 1999). “Stage” can be the same space in the building, which is the approach of co-location of diverse cooperators in the same project (Kirat & Lung, 1999).

There are three distinct roles of institutional proximity in the economic activities. First, trust that comes from both formal institutions (like laws and rules) which provide institutional environment, and informal institutions like habits, culture and value, promotes knowledge learning and innovation (Boschma, 2005). It is also described as “logic of similarity” by Torre & Rallet, (2005 P49-50). The logic of similarity is based on, primarily, the tacit “common language” among actors, namely, the “same system of representations or set of beliefs, and the same knowledge” (Torre & Rallet, 2005. P50). Second, institutional proximity can also partly compensate shortage or weakness of rules (Torre & Rallet, 2005). Interaction is promoted here, not only by the same or similar background of professions, but also by the same understanding (Torre & Rallet, 2005). Then, the proximity of formal institutions along with common habits, insure the legal rights and profits of actors in the collective processes (Boschma, 2005). Third, institutional proximity strengthens the stability of a system (Boschma, 2005). It is also clarified that institutional proximity can strengthen some aspects of organizational proximity (Boschma, 2005).

Whereas, similar to social proximity, too much institutional proximity can block newcomers and, also, constrain the change of the system that caused by innovation, because strong institutional relationship raises fear of change due to high interdependence and sharing same behaviors within the stable system (Boschma, 2005). Therefore, in order to reduce the risk of system and avoid the constrains of innovation, institutional proximity also needs balance of three aspects: “institutional stability” , “openness” for newcomers and “flexibility” for changes in system (Boschma, 2005. P68).

### Organizational Proximity

Organizational proximity is “the extent to which relations are shared in an organizational arrangement, either within or between organizations”, which is about the degree of control and autonomy (Boschma, 2005, P65). Between organizations, this control can work through dependence of finance or economic and sharing same strategies and routines which are formed by the institutional background inside of the system (Kirat & Lung, 1999). This institutional background provides the “logic of belonging” which refers to the sharing of same rules in one organization, like a company or a technological association, by which interaction between economic actors are inspired (Torre & Rallet, 2005. P49-50). Thus, members share the collective responsibilities, standards and developing strategies and routines (Kirat & Lung, 1999).

About its relationship with other dimensions of proximity, first, organizational proximity is based on cognitive proximity, manifesting actors’ sharing of the collective responsibilities, standards and developing strategies and routines (Boschma, 2005; Kirat & Lung, 1999). Second, organizational and institutional proximity are interacting with each other through logic of belong and logic of similarity. On one hand, when the former logic is formed, which means the rules and routines are set, the latter logic reduces the controversy of understanding them (Torre & Rallet, 2005). On the other hand, general speaking, the shared representation of the latter one inspires the interactions between actors relying on “a minimum number of formal rules” (Torre & Rallet, 2005. P50).

There are advantages and disadvantage of organizations proximity. The disadvantages are supposed to be addressed by “loose coupling” system (Grabher & Stark, 1997, P538). Strong control of organizational proximity can reduce the risk of uncertainty and opportunism that occur in the process of knowledge creating and also reduce the transaction cost (Boschma, 2005). However, too strong ties between agents or actors in the aspect of organizational proximity will increase the risk of lock-in and discourage

innovations by the fixed network and hierarchy of the system which reduce the change of feedback (Boschma, 2005). Therefore, distance is still needed in organizational proximity to include the outside knowledge and network to increase the diversity and the potentiality of innovation (Boschma, 2005). To address the disadvantage of too much organizational proximity, “loose coupling” of the system can be adopted (Grabher & Stark, 1997, P538). The loosely coupled network means that the inclusive of “ambiguity” (Grabher & Stark, 1997, P538), not only the “ambiguity of goals”, but also the ambiguity of the ownership. Conflicts may come up along with ambiguity, but it can always stimulate the creations of new solutions of problems and also have more principles when sharing the resources (Grabher & Stark, 1997).

### Geographical Proximity

Geographical proximity is defined both physically and socially / subjectively here. It is the “spatial or physical distance between economics, both in its absolute and relative meaning” (Boschma, 2005, P69), the relative meaning is according to the time distance that perceived varies among individuals and the condition of local transport (Torre & Rallet, 2005). It is relatively pure that exists only as the physical constrain without other relations or linkages with social and individuals’ context (Torre & Rallet, 2005). In another word, geographical proximity itself does not include interactions, or direct relationships among actors, typically when they are assembling only for the sake of infrastructures (Torre & Rallet, 2005). Geographical proximity may manifest as co-location, but is not necessarily to be co-location, rather, co-location can be substituted by “professional mobility and temporary geographical proximity” (Kirat & Lung, 1999; Torre & Rallet, 2005).

Even so, geographical proximity is still the necessary channel for certain kind of tacit knowledge (which not only means transfer, but also means accept and application) that are defusing face-to-face (Kirat & Lung, 1999). For example, in the process of defusing of new industrial institution before the new system is stable and standardized geographical proximity is the precondition of defusing the tacit knowledge coming up from the uncertain and changing system (Kirat & Lung, 1999). After addressing the uncertainty, the new model become mature and standardized, more knowledge are likely to be codified and transferred by means of other kinds of proximity (Kirat & Lung, 1999). Therefore, it is still necessary for temporary face-to-face communication among actors in long-distance cooperation which are closed to each other by organized proximity (Torre & Rallet, 2005). Typically, within “super-local organizations”, typically on the

national or international level, for there is little room or no necessity for face-to-face when a set of mature and formal rules and represents are already formulated (like ISO 9000, for instance) (Torre & Rallet, 2005. P50-51). However, smaller firms tend to co-localize because of the lack of financial and human resources, even when they only require colocation permanently (Torre & Rallet, 2005). That is to say, permanent colocation is needed when one individual in small firms is working on a multi-task which is included in only some of the phrases in the processes of R&D (Torre & Rallet, 2005).

There are both advantages and disadvantages that come from geographical proximity. First, geographical proximity affects the agents or actors through its stimulation or combination with the other dimensions (Boschma, 2005). For example, agents or actors tend to share the tacit knowledge (cognitive proximity) because of geographical proximity which renders them the same social context (Gertler, 2003). Second, geographical proximity also helps to form a territorially defined innovation system with cognitive proximity when they are combined with the circumstances of common rules (institutional or organizational proximity) (Boschma, 2005; Kirat & Lung, 1999). About disadvantages, there are two aspects. First, too much geographical may also cause lock-in which can be solved by geographical openness (Boschma, 2005) and obstacle a durable organization, because co-location can limit technical skill-base and transfer (Kirat & Lung, 1999). Second, it is also pointed out that geographical proximity can also be a disadvantage for the economic actors by causing conflicts (Torre & Rallet, 2005). It is mainly about the frictions that are raised from the unequal occupation and different usages of space (some of which may damage the environment), and the specific natural resources or financial situations that restrict the possibility for the actors to move out of the region (Torre & Rallet, 2005).

#### 2.2.2.3 Summary

A framework of five dimensions of proximity is developed in the above paragraphs. Cognitive proximity is mainly about the common bases of knowledge and technology, working as the preposition of organization proximity. It combines the concept of cognitive proximity by Boschma (2005) and technological proximity by Kirat & Lung, (1999). Social and institutional proximity promote trust in national/regional/organizational and personal level respectively (Boschma, 2005). Social proximity includes the concept of “guanxi” and shows the special attributes of “guanxi” dyads in its building, being broken, sharing reciprocity purpose and its hierarchy nature (Chen & Chen, 2004). Institutional proximity has two aspects, formal and informal, and

reflected in national, regional and local levels (Boschma, 2005; Kirat & Lung, 1999). The formal one is related national laws, rules and so on, and the informal levels reflected on value, culture, habits (Boschma, 2005; Kirat & Lung, 1999). Organizational proximity is mainly about the degree of control and automatic. It is built under the background of institutional proximity and being promoted by cognitive proximity (Boschma, 2005). Geographical proximity refers to the time and space difference between actors in economy (Boschma, 2005). Even though permanent co-locations may not be necessary, temporary co-location is still needed (Torre & Rallet, 2005). It can promote other dimensions of proximity (Boschma, 2005).

All the dimensions have disadvantage if they are too much. Also, there are some potential solutions. For example, too much social proximity may be solved by “guanxi” dyads, too much institutional proximity can be avoid by balance of three aspects: “institutional stability” , “openness” for newcomers and “flexibility” for changes in system (Boschma, 2005. P68); and too much organizational proximity can be addressed by the “loose coupling” of system (Grabher & Stark, 1997, P538).

The framework of proximity focuses on the innovation and collaborative activities in economy, and absorbed China’s context of social relation, “guanxi”, which is suitable for the attributes of music industry in China, will be indicated in the following sections.

## **2.3 The Music industry system**

### **2.3.1 Conceptualizing “Music Industry System”**

Even though in most of previous studies, there is discrepancy in defining “music industry” as a single form and “music industries” as a plural form when defining economic activities about music, the definitions are not the same even the same term is chosen (Jones, 2012; Morrow & Li, 2016; Williamson, Cloonan, & Frith, 2011). On one hand, seeing music industry as a single entirety not only causes problems on defining music and its relevant works academically, but also causes inequalities and misunderstanding of economic activities and policy making (Williamson & Cloonan, 2007). On the other hand, even though there are different sectors viewed as “music industries” (Anderton, Dubber, & James, 2012; Jones, 2012), these industries are not necessary separated with one another (Peter, 2012) .

In this thesis, the term “music industry system” is adopted, including all the music-

relevant industries and economic activities and admitting that: 1) there is no one or some activities that are able to represent others, and the evaluation of the elements relating to their benefits and rights are different; 2) the activities are related to each other to some extent, and cannot be isolated each by each (Peter, 2012).

Supporting the opinion above, some scholars used the concept of “music industries” as the foundation of defining and choosing the research object for understanding the different attributes of economic activities about music (e.g. Williamson & Cloonan, 2007). The reason of using this term is that the disadvantages of defining music industry as a single entirety will influence the policy making ultimately. First, the definition of “music industry”, as a single industry, has not been settled yet since the digitalization processes that changed the single model of music industry (Anderton et al., 2012; Williamson & Cloonan, 2007). Second, it fails to use a representative to represent all the types of activities and always ignores the conflicts between industries and the cross-sector of industries (Williamson & Cloonan, 2007). This false representative does not properly value the rights and benefits for some sectors, for example, the piracy and peer-to-peer internet service (Williamson & Cloonan, 2007; Williamson, Cloonan, & Frith, 2003). These behaviors influence the most are music recording ones, however, they do not do much, or any, harm to the other industries, especially the live performing and also some retail sectors (Williamson & Cloonan, 2007). That means, it is not suitable to say these activities are really “harming” the “music industry”, for if there is a single “music industry”, for there are some sectors are not really harmed by them.

The way of understanding “music industry” will further influence the policy making. When a policy, which puts “promoting the development of music industry” as the title, music industry is viewed as a single one, and the conflicts within the “music industry” which are actually different industries are always ignored and will even increase the inequality, by merely focusing on the larger industries that maybe seen as the core industries that can represent “music industry” (Williamson & Cloonan, 2007).

Therefore, if music industry is defined as a single industry, or an entirety that each part shares the same represents, benefits and rights, we cannot give a suitable position for independent musicians. For example, the independent musicians are more like, or even smaller than SMEs, and their activities are cross sectors (related to but different from composing, recording, singing, publishing, and so on). They do make records, but they can only record their music in their friends recording studio (interview 1); they do compose, but they are not always signed with the companies; they do sell CDs, but they

may not be influenced by piracy (Williamson & Cloonan, 2007). Finally, their products are spread on the Internet, sold to their customers, and played in the music festival. Then, if music industry is divided into different sectors (which will be illustrated in the section of the usage of “music industry” in China’s background), independent musicians can only relate to live performance and retailing (if they sell their music work). Thus, if we define them only by their products and live performance, we will ignore their other activities and needs.

It may reduce the distortion of the picture of music industry system when understanding them from the perspective of network (Peter, 2012). Therefore, this thesis chose the term “music industry system”, rather than “music industry”, for it holds the opinion that there is no single “music industry” as an entirety, where all the related economic activities around music are integrated and, at the same time, relations among sectors and cross-sectors also exist.

### **2.3.2 Music Industry System in Collective Innovation and Cooperation Activities**

Since the “music industry System” cannot be represented by some sectors of them, but some of the previous researches that will be reviewed here chose to use the single “music industry” as the research target for certain reasons and situation, this thesis will carefully point out that which sectors or actors of music industry system they referred to and how they declared those sectors or actors are benefited or harmed by certain elements.

Innovation is important in music works in music industry system: for the major music recording companies, innovation is important in the process of they always seeking for the musicians that are in the organization of their projects, thus, they lack for the innovation of music works (Lorenzen & Frederiksen, 2005). However, the competitiveness is in “product differentiation”, rather than prices (Lorenzen & Frederiksen, 2005. P205). Therefore, major record music companies may work with the small local independent record companies that have strong innovative motivation. This highly innovative companies are working as the external product innovation labs of the majors (Lorenzen & Frederiksen, 2005. P206).

Collaborative activities of marketing and distributing also needs innovation and proximity. For example, the experimental market organized project is important for the major music recording companies, because it reduces the risk that comes from the uncertainty of the customers’ reaction of the music works (Lorenzen & Frederiksen,

2005). Also, the tie of organization ensures the collaboration of different parts of the projects which are representing different motivations, perspectives and benefits (for example, the motivation and benefits of music writing and managing are driven and achieved by totally different elements) (Lorenzen & Frederiksen, 2005). Organization provides potential partners for new projects (Lorenzen & Frederiksen, 2005). About distributing, according to the research on the global music market that including music producing, recording and physical products' selling, distributor is important in promoting and marketing the music products, when the physical products are distributed and sold by different local retailers (Power And & Hallencreutz, 2007). Major distributors are influencing the marketing of the music work by controlling the prices and deciding the promotion of the music by the indirect relationship with the buyers, though their choice and provision of music products (Power And & Hallencreutz, 2007). The decisions of distributors influenced by the policies and laws, for it may influence the cost music production. For example, the U.S. requires mechanical royalties been paid for the import music, the distributors would have to pay twice (which is already paid in the origin country) for the imported music, therefore they do not import the oversea branches of a domestic company.

The relationship in of localization and globalization shows in the development processes of music industry system. Even though their music can be spread through the internet, the local music scenes is still there, with both feature of centralization and diffusion based on some disciplines (Florida & Jackson, 2010). Local music scene contains the localization of market and the social economic interactions and is the local cluster where the producing and the culture and taste is cultivated (Florida & Jackson, 2010). Localization is also promoting globalization. Not only reduces the transaction cost, but also facilitate Globalization of music works is helped by localization, through building an organized experimental project space to market the products locally, before the promoting of it globally through the internet (Florida & Jackson, 2010). Localization and globalization can also show in development of independent music labels, which will be indicated later. However, there are still disadvantages of localization: it limits the entrance of the market by tight social network that are promoted by it. Newcomers who do not have social network with the local market have more difficulty to enter (Power And & Hallencreutz, 2007).

### **2.3.3 Concept of “Independent Musician”**

Researches on “independent music” are mainly about the activities of “independent

label” and “independent musicians”. This section will extract the meaning of these notions from various activities and features that are mentioned in those researches.

Scholars defined independent musicians mainly by their music genres or their economic activities. Dale pointed out that nowadays “independent” is more about “music style”, even though his article is focusing on a time that “independent” are those labels that are not supported by major labels (Dale, 2008). In the research on Canada’s digitally driven independent music production, Hracs (2012) focused on the works of independent musicians. He pointed out that thanks to the digital technology, the entry cost is lowered, which enabled the musicians to be independent in all the processes of producing, marketing, and distributing their music. They control and manage all the processes of around music producing and selling, including creative and noncreative tasks. The development of digital technology rendered independent musicians the ability to record and promote their music work independently, which democratize the music industry production. The meaning of “independent musicians” here is not directly indicated, but it seems to be those who are free from major and independent labels (until 1999, the majority of independent labels are affiliated with majors (Burnett, 1996; Hracs, 2012). Recently, the definition of “Independent music industry” relates to independent record labels. In the research of Montreal’s independent music industry, the independent music industry is “affiliated with independent record labels” (Cummins-Russell & Rantisi, 2012, P83) that have not joined or cooperated with North America’s four major labels: AOL-Time, Warner, Sony-BMG, Universal-Vivendi, and EMI (Fox, 2005). When talking about independent music scenes, Kruse (2010) emphasized the importance of online and offline connection for the independent institutions and individuals. The notion of independent musicians is not claimed, but independent labels, companies, and the musicians within them are mainly described, rather than individuals who have no affiliation with independent labels. In the research of independent musicians and managers, Hracs also examined the activities of independent record labels (Hracs, 2015).

The term “independent music/record label” is dynamic and accepting new meanings with the new attempts of labels. Also, it can be viewed as a stage within the development of music labels. In terms of the content of the definition, “without affiliation with the majors” is far from enough to describe independent record labels. Just as the notion of “independent musician” above, the “independence” can be both culturally and economically (Lee, 1995). For labels, the “independence” can also manifest in its community which is mainly built by their genres (Lee, 1995). Therefore, the notion is developing with the changing of its social and cultural context. However, the basic

features of independent labels are still clear, like its sense of community that connecting musicians, label and fans within a specific cultural background (Lee, 1995). As for the development processes, independent record labels always begin with small record labels/companies, and end with different forms. For example, some may finally be merged by the majors, some may become mini-majors, in another word, get into a stage that find collaborative growth with related industries and even globalization (Malm & Wallis, 1984).

There are few local academic researches on independent music, musicians, and labels of China, where independent record label is always called as “independent label” or “independent music label”. It seems that the standards for definition of “independence” is clearly falls into two distinct parts: one is from the economic activities like the scale, target market and their producing and promoting models, while the other is about the genres. It was pointed out that there is a core “spirit” of independent musicians, which is independent creation that resisting commercialization and was apart from mainstream (Wang, 2015). Resisting commercialization does not deny the promoting and marketing processes, and the independent label sometimes means those small labels which do not have enough fund or resources for these processes (Ding, 2015). Independent labels are sometimes defined by genres, which means the branch of a company, a studio or label which produces a certain genre of music (Ding, 2015). However, Tang (2018) disagrees with defining independent label with genres, but more about the independent producing mode and attitude. Duan (2011) pointed out that “Independent music label” is a “relative concept”, which refers to the small music companies that are apart from the national institution, dedicating to promoting culture and music recording but not commercialization. While according to Mu (2018), the definition is on the artistry and spirit level, indicating that an independent (record) label is not only makes and promotes music, but also shares the same strong conviction with independent musicians and also seeking for them.

#### **2.3.4 Conceptualizing “Independence”**

Several changes and conflictions occurred here about all the conceptions. Firstly, only part of “independent genres” are written, produced, and sold independently. Secondly, more and more so-called “independent musicians” tend to or have already joined music companies. At the same time, digital music platforms are also recruiting independent musicians to cooperate with or join them. Once they are joined, platforms will cooperate with them in promotion and management of their music, even arrange the live performing.

In this sense, it would be disputable to define these producing and managing activities as purely “independent”, but they are still counted as independent musicians in the public data. Third, being an independent label is merely a stage of the development of music companies. When the label becomes a “mini-major”, are those “independent musicians” who still make music by themselves and play “independent genres” still “independent”? What about its branches that are still producing the non-mainstream style music? Looking merely at genres, the answer is yes, but looking at their economic relationship with other sectors, the answer is no. The public data (like national reports, Document 7) count all of them as “independent musician”. For independent musicians and labels in the data are based on ambiguous conceptions or combining multi-standards which do not fit with each other. That means the statistics of the public data need to be revisited when suitable conceptions are settled.

Because of the specific features of independent musicians, and considering the limitation of data for researches and the difficulty of distinguishing “purely independent”, this article extracts the common ground and core attributes of “independent musicians” are: musicians (individuals or bands) who does not belong to traditional major labels or geographically bond with any labels and who are writing, playing and recording music by themselves (may record in the companies, labels, or with the help of digital music platforms), and whose genres and contents of music works are not cater to mainstream music and are decided and made independently. “Independent labels” are those not commercialized (which is, producing the music with their own genres that are not the mainstream), and are recording and promoting only the music works for independent musicians. And when the music label grows into a multi-label/business, or even international company, while still has independent labels (independent in music styles) within it, it will be defined as mini-major music company. All the labels and mini-major music company are included in “music company” in this thesis. Therefore, in this thesis, the music company that is studied as a case, Modern Sky, is not an independent music label, but a mini-major music company that has branches of independent music labels. It has sub-labels in different sectors, like independent music, music festivals and visual design (Document 9). Mini- major music company is also viewed in this thesis as an organization in which the branches are connecting to each other, but also independent in its cognition, and music model (according to Document 9, will be analyzed in this thesis).

### **2.3.5 Music Companies and Independent Musicians' Collective Innovation and Cooperation Activities**

Independent musicians' activities are related to cognitive proximity, social proximity, and institutional proximity. On cognitive proximity, it is always related with "innovation" in knowledge, for the innovation of genres, transferring and selling modes (Lee, 1995). On social proximity, the specific culture background and the living and even the hair and dressing styles provides a society with high sense of identity for musicians' gathering (Lee, 1995). The network among independent labels are based on the social relations rather than organizations which prevents the actors that outside of the organization from getting in (Florida & Jackson, 2010). The diffusion of independent music is also, mostly, by social network and through the channel on the internet. Musicians share their music to their friends, and by ways of social media, their music works are promoted (Kruse, 2010). Therefore, online activities help to build local networks through getting more people contacted and making them easier to meet offline (Kruse, 2010). The diffusion of independent music is also highly depending on the online connections. Thus, peer-to-peer file sharing, which seems to be harmful to major recording labels, is, on the contrary, helping to promote independent music. The place attributes and the networks which is influence by the place in both positive and negative ways are also significant in the development of the independent music labels (Cummins-Russell & Rantisi, 2012). On institutional proximity, according to the research on Montreal's independent music industry, the specific features of place there is the culture (like the support of independent music of the public), the linguistic community and the provincial and federal support (Cummins-Russell & Rantisi, 2012).

Live Performing (mainly are music festivals), is an activity for the income and promotion of independent musicians. Here, social and institutional proximity are important. Audiences' attendance of music festival is also related to social and cultural background, According to Li and Wood, China's music festivals are attracting peoples by providing the space for "spiritual escape" and "spiritual pursuit" (Li & Wood, 2016. P344). Its different form the "western context" that "motivations for festival attendance are mainly socialization, family togetherness, novelty, excitement and thrills, general relaxation, entertainment, learning and music" (Li & Wood, 2016. P345).

There are three important aspects in creating the authentic of music festivals and related with social and institutional proximity: place, social and personal (Szmigin, Bengry-

Howell, Morey, Griffin, & Riley, 2017). About place: in the research of two music festivals in Britain, the Big Chill and Reading festival, the locations and internal spatial divisions rendered different experience for customers, for example, the entertainment functional part in the music festival gives customers the feeling of non-productive without guilt, which is opposite to their social background that usually approve productiveness (Szmigin et al., 2017). Social in music festivals is manifesting as the feeling of belonging and escaping from usual life and even the atmosphere of hedonism, where personal is also co-created that people are relatively freer to behavior differently and feeling safe to share their experience with others (Szmigin et al., 2017). About institutional proximity, temporary “freedom” is commodified in the music festival, by rendering the customers the sense of freeing from the complicated regulations, judgement and inspection in common daily life and get into a “wacky weekend” and have a different lifestyle which they may not be able to have in their daily life (Griffin, Bengry-Howell, Riley, Morey, & Szmigin, 2018).

Festival goers’ support, namely, “attitudinal loyalty” and “positive word of mouth” are also proved to be influenced by the shared values between festival managers and customers (institutional proximity) (Chaney & Martin, 2017. P516). When the shared value is higher, it is more likely to slow down the losing of these support of the festival goers (Chaney & Martin, 2017). From the perspective of global and local market, since establishing the cultural symbol that matches the values of their customers in all the aspect in their management can help to build the loyalty of the customers, it is also important to keep the consistence of the global and local values (Chaney & Martin, 2017).

Social media is also used in different process of marketing the music festival. For example, Facebook is use in the selling the ticket and app that is integrated within Facebook and Instagram is also built for the customers to see the details and updates of the festival. After visiting the festival, social media is also where the festival goers continue sharing their experience, posting pictures, and being reached by and kept engaged with the festival managers. Music festival holders can know their customers better through the social media. Social media is also influencing the fame of the music festival through, for example, evaluation of them, which further influences the consumers’ consideration of the festival (Hudson & Hudson, 2013).

## **2.4 Conclusion: Analyzing Music Industry System with The Framework of Proximity**

In sum, music industry is views as a system, rather than a single entirety that can be represented by the same mode of activities, benefits, and rights. And proximity is a crucial element working within the collaborative innovation processes, with different requirements for it depending on the activities. The reason of using this concept is that viewing music industry activities as independent but inter-related entireties will influence the evaluation of five-dimensions of proximity that are working among them. For example, their common values and benefits in the policies (that are taken for granted and related to organizational and institutional proximity) should be revisit if the music industry is not a single entirety. Also, the policies need to be re-evaluated when talking about the advantages of clusters, which relates to geographical proximity, may not work on all the actors.

Concepts of “independent musicians”, “independent music label” and “mini-major music company” are defined according to the literatures and the accessible data. “Independent musicians” are defined according to both their activities and their genres, but not the companies that they are belong to; “Independent labels” are those recording and promoting only the music works for independent musicians. And it can grow to mini-major music company. Labels and mini-major music company are included in “music company”.

Music industry system is related to dimensions of proximity. On cognitive proximity, music industry system is an intensive innovation system, and cognitive proximity promotes knowledge flow and innovation in the system. On organizational and institutional proximity, it shows in marketing, distributing of music work. On geographical proximity, localization influences the culture and provide experimental project space for globalization.

Music companies and independent musicians’ economic activities are all related to dimensions of proximity. General speaking, from the literatures, independent musicians and music companies’ activities are related to cognitive proximity, social proximity, and institutional proximity. These dimensions are influencing the innovation processes, promoting of their music works, musicians’ gathering and cooperating, and the culture background which influences the number of the customers.

Especially, in the most important part of the income of independent musicians, music festivals, social and institutional proximity are important. Those two dimensions of proximity promotes creating the authentic of music festivals; festival goers' support and marketing the music festival.

Therefore, the conceptual framework which shows in different aspects in the music industry system and influences the core economic activities in the music genre, which also included the concept of "guanxi" in China's context, is suitable for understanding the music industry policies and the on the ground experiences in China.

### **3 Methodology**

In this section, first, the need of understanding the relations between policies and on-the-ground experiences are indicated through the background of the case of China about the policy documents on music industry, and the background of musicians' main incoming resource, live performing. The relation between the need of innovation and social relations on the ground and the policies need to be explored. Second, the methodology of this thesis is illustrated.

#### **3.1 The Case of China: Policies and Live Performance**

##### **3.1.1 Usage of "Music Industry" in Policy and Report**

As indicated above, China has published several policies which is to "promote the development of music industry" (Document 1&2&4), it seems that in these policies that music related industries are put into a single category. However, since there is no "plural form" of nouns in Chinese, it is too rash to conclude whether the definition of "music industry" mentioned in the documents is single or plural, or representing an entirety, in this case, without analyses. However, the meaning can be understood through analyzing the policy documents' purposes and their definitions and purposes on them.

The existence of potential misunderstanding of the concept "music industry" is not only in the policies, but also in the national report of music industry. The composition of music industry in China, the nearest development of music industry and some primary policies are summarized in the 2018 report of China's music industry (Document 7). This misunderstanding is manifested in the inconsistency between the development direction

in the policy and the economic activities in the music industry. Additionally, it is unclear where to put independent musicians and companies in the music industry according to the report.

In the 2018 China's music industry report, music industry is divided into eleven sectors: "Music books, audio and video (including books, CDs, digital album, vinyl record and so on); music performances; music copyright and economic management; digital music, musical instruments; music education and training; professional audio, radio and television music; karaoke; film and television games; animation music and national music industry clusters" (Document 7). All these sectors are generally experienced growth in economy, and only the CDs and output value of music instrument witnessed decline (Document 7). The newly populated sector the music industry are the digital album, using big data and intelligent technology, new industry pattern (like combining music scenes with tourism, social media, and new patterns of selling such as online to offline, VIP and so on), industrial clusters and financing (Document 7). These features are reflecting the policies such as encouraging the original innovation projects of musicians, protecting the copyright of digital music and music industry clusters.

Obviously, there are some unclear definitions in this system. In this report, as shows above, CDs, digital albums and vinyl records are all included in the sector of music books audio and video, however, there is also a sector named digital music, which including the subscription on the music platform and the add-on service of telecom music (Document 7). And the statistics for geographical cluster is also listed in a sector of music industry, which includes various sectors located in the clusters (Document 7). Also, statistics are about the total output values of each category, but neither the main activities nor the tendency of them are described in detail there (Document 7). For example, the total live performing number is about 15449 and the audiences reached more than 1.3 million till the end of 2017 (Document 7). However, the live performing here includes concert, theater music, music festival and live house (Document 7), and singers can be independent musicians or singers doing the major genres. What the increasing or decreasing tendency of the number of each of them and their audiences are is not mentioned. In addition, according to the literatures above, these activities are belonging to distinct groups of music companies and musicians having different working patterns and standing for different requirements for their development. So, the total growth cannot represent the growth of each of them.

As for the policy documents, policies are promoting the new patterns of "culture +" or

“music +” business, like combining music scenes with tourism (Document 1&2&4). It is not clear in the report that which kind of music scenes are suitable for this strategy and are they all benefit from it during the past years are not mentioned there. In addition, the independent musicians and music companies’ activities are not all fit in them: about live performing, music festival and live house are counted, but nothing about pubs that most musicians are playing their music(Document 1&2&4&7); about digital music and copyright (Document 1&2&5), it is not clear that whether they are also among those whose rights are violated by P2P sharing of their music work; about the clusters or community of genres, they are apparently small social and non-industrial groups that may be outside of the national music industry clusters. About policy for innovation, the promotions in the policy is for those projects that including the quality to promote “the spirit of the times” (Document 1&2&3&4), to “represent the direction of industrial development” (Document 1&2&3&4), and to “reflect the characteristics of the music industry and the spirit of pioneering and innovation” (Document 1&2&3&4). These conditions are obviously against the instinct of independent musicians and / that are, more or less, walking out of the mainstream, not only in the genre of music, but also its business. Therefore, it is hard to find the status of independent musician and music companies in the categories and their benefits directly from the policies.

### **3.1.2 Live Performing Related to Independent Musicians and Music Companies**

In economic activities of music festivals, not only innovation in ideas, but also the implementations of them are important (Y. Li, Wood, & Thomas, 2017). The implementation of innovation requires a harmonious and functional relationships, for only harmonious relationship cannot guarantee the implementation of innovation (Y. Li, Wood, & Thomas, 2017). In China’s cultural context, there is a special cultural background, “guanxi”, which is influencing the implementation of innovation of music festival by influencing the interpersonal relationship, along with the other socio-economic factors: identity, event context and socio-cultural context (Y. Li et al., 2017). “guanxi” is a special kind of relationship between people, which is both generated by social exchange and affecting the generating of social exchange (Y. Li et al., 2017). The harmonious relationship that is created by “guanxi”, in certain case, can lead to conflicts and dissatisfaction by keeping the unauthorized traders who have “guanxi” with some of the actors in the process of festival, despite the agreements there (Y. Li et al., 2017).

Live house is also a new form of live perform in China. Live house is defined as small-scale live performing hall with professional music and light devices and design

(Ge, 2013). The development of live house is tightly associated with the independent music and musicians (Ge, 2013). Usually, according to its size, Live Houses can contain two hundred to two thousand customers, and its primary bands and musicians are independent musicians (Ge, 2013). There are also few researches on Live House in China. When searching “Live House” as the key word and theme on China’s knowledge database, there are only eight results about that, in which only two are academic researches on China’s Live House and one on Japanese Live House

([https://kns.cnki.net/kns/brief/default\\_result.aspx](https://kns.cnki.net/kns/brief/default_result.aspx)).

Live House is also related with institutional proximity in the space. According to Ge (2013), China’s Live Houses are still lack of professional devices and reputations as professional music scenes rather than the attachment of entertainment places. Liu and Cai (2016) pointed out that Live House is a material-cultural spaces which is integrated by managers, musicians and goers, which, within the geographical territory of the Live House, establishes “transgressive place” for specific identity that is usually excluded from mainstream cultural and social background (Liu & Cai, 2016).

### **3.1.3 Summary**

The policies and national reports regard the music industry system as a single entirety, which put all the economic activities in the same position on benefits and rights. Even though the strategies that are on music industry shows dimensions of proximity, it may not suitable for the needs of independent musicians and their economic activities. There are few studies on China’s live music performing related to independent musicians. From the literature on it, social proximity, institutional and cognitive proximity are important. The difference and similarity between the dimensions of proximity in the policies and on the ground will be explored in this thesis.

## **3.2 Introduction of Research Methods**

In this thesis, as indicated above, document analysis and in-depth interviews are adopted to address the research questions. As indicated in the introduction section, Modern Sky and its independent musicians are chosen as the case study of this thesis. As illustrated in the introduction section, the research questions divided into two aspects:

- What dimensions of proximity are manifested in the policy documents and on the ground experiences?

- How the policies are related to the ground experiences according to dimensions of proximity?

Document analysis is adopted to analysis the dimensions of proximity of policy in the policy document, the economic activities of the independent music company, Modern Sky, from its history events and the introduction, and some of the situation of independent musicians in recent years from the report. Two semi-structured in-depth interviews are adopted to analysis the activities of independent musicians and music company. The processes of conduction of those methods will be described in detail in the following paragraphs.

### 3.2.1 Document Analysis

Document analysis is a qualitative analytical method for reviewing or evaluating both paper and digital documents (Bowen, 2009). The materials of document analysis are various, including the materials that are going to be examined in this thesis: policies, regulations, newspapers, webpages, advertises and charts (Gross & Frey, 2018). Document analysis is considered as an efficient method both saves cost and time, replacing the processes of data collection by data selection (Bowen, 2009). It also has the quality of stability and exactness, because the analysis materials are not influenced by the reactive process compering to some other kinds of data collection and exact names, reference and details in the documents (explicitly, the official documents that are analyzed in this thesis) (Bowen, 2009). General speaking, document analysis has some limitations like insufficiency, retrievability and bias (Gross & Frey, 2018). For example, when the documents are not enough to cover the research questions, the document analysis will have the weakness of insufficiency; lacking for the retrievability of the documents limited the information; and the documents that are only from one resource may have bias (Gross & Frey, 2018). In this thesis, most of the documents are policies and regulations and the purposes are analyzing its purposes and conceptions, thus, it is not influenced by the limitations. However, some documents that are about the development processes of Modern Sky, and those advertises and news that are on the websites are constrained by those limitations. In order to minimize the weakness, interviews were conducted and transcripts are analyzed according to five dimensions of proximity, which may compensate the shortages by obtaining information from different individuals and “diversified by other means appropriate to the research question” (Gross & Frey, 2018. P4). Those methods will be illustrated later.

The documents that are going to be analyzed in this thesis are listed below:

- *Policies and Rules*
  - *Reform Plan for Cultural Development during the 13th Five-Year*

- *Plan Period by the Ministry of Culture*
  - *The Main Points of Outline of Reform Plan for National Cultural Development during the 13th Five-Year Plan Period*
  - *Central Committee of the Communist Party of China's Opinions on the Prospering and Developing Socialist Literature and Art*
  - *Several Opinions on Vigorously Promoting the Development of China's Music Industry of the State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China*
  - *The Notice on Commanding online music service providers to stop unauthorized distribution of music works*
  - *Chengdu Municipal People's Government's opinions on Supporting the Development of The Music Industry*
- *Reports and Surveys*
  - *2018 Report of Development of China's Music Industry*
  - *The Report of the Current Situation of Independent Musicians in China*
- *Mini-Major Music Companies Economic Activities*
  - *Official website of Modern Sky: Introduction and Big Events of Modern Sky*
  - *Diagram of Modern Sky's relationship with its related companies and key personnel*

The reasons for choosing these documents are: the authority and timeliness of the documents. The authority shows in the resources of the documents: the policies are from the national government and ministry or municipal government, and the report of music industry published on 2018 China International Music Industry Conference. Also, these documents are the most relevant policies that are accessible through the Internet. The timeliness is that the only the documents that are still effective (or, are not expired) are chosen.

Diagram of Modern Sky's relationship with its related companies and key personnel, and the network of Modern Sky and its relevant companies (its shareholders, or companies of which it holds stock) will be analyzed to verify the existence of social and geographical proximity. First, the addresses of the companies are found on the website Qichacha.com, a website for the information of companies, and search on Google Maps and Baidu Maps, then get those companies' locations; second, the relationship between the main persons like shareholders and supervisors in the diagram will be searched on Google. This method may ignore some of the information about the relationship among those people, but it is the only way to get access to the information because the time limit and geographical distance.

These documents will be coded according to the concept framework of proximity in the previous section, the content of each code will be categorized according to the scales (national, regional, labels and musicians) that it refers to. After doing this, the codes and content of the documents are checked again and adjusted to have more explicit meanings that are manifested in the documents. Finally, the results of document analysis will be constructed by themes (five dimensions of proximity), each theme divided according to the scales indicated above. Dividing the results by scales aims to compare the dimensions of proximity in the policies, companies, and musicians, which will be clear for comparison and summarize the consistence and inconsistency.

### **3.2.2 Semi-Structured In-depth Interview**

Semi structured in-depth interview provides the expert knowledge from the respondents who are experienced in the research topic (Kvale & Brinkmann, 2009; Morris, 2015). An semi-structured in-depth interview not only expects the respondents to express themselves by their own words, but also probing the explanation of their answer, which mainly directed by the interviewer (Kvale & Brinkmann, 2009). Although it is time-consuming and cannot be generalized to the representative situation, and even the information that the respondents provided can be inaccurate, the context, concerns and some other details about their presenting the information are all able to be observed (Kvale & Brinkmann, 2009). The forms of semi-structured interviews are various. Face-to-face communication is regarded advantageous, for it helps to get the tacit context and other information of the respondents (Kvale & Brinkmann, 2009). However, when time is limited and the geographical distance is difficult to shorten, online interviews is also beneficial in its efficiency, giving the respondents time and space to think about their answer and are also more and more close to the way of people's daily communication methods (Kvale & Brinkmann, 2009; Sullivan, 2012).

In this thesis, face-to-face interviews are constrained by geographical distance. The respondents are both living in China; therefore, the online interviews are the best choice for the limitation of time and economy. However, those interviews are mainly talking about their economic activities, in which there are little tacit knowledge that can only be got from face-to-face communication. The semi-structured in-depth interviews are conducted with two lead singers of two different independent music bands respectively, both bands are belonging to Modern Sky. The first band is The Fallacy, while the second band required for anonymity. To be concise, the first band and its main singer will be represented by Band F and Musician F respectively, and the second Band A (A for anonymous) and Musician A in the following sections. The interviews are conducted on WeChat, a famous online communication software in China. The interview of Band F is through voice chatting and texting, and Band A is by texting. The interview with

Band F focuses on dimensions of proximity in musicians' economic activities, and the one with Band A focuses more on music festivals. Before the interviews, the brief introduction of this thesis and interview guides are designed and sent to them, so that they could think about the answers before the interviews and choose which questions to answer or not. And during the semi-structured interviews, questions about asking them to explain more about their answers. After the interviews, the results were transcribed for analysis.

After the interviews, transcriptions are analyzed according to five dimensions of proximity. These transcripts are:

- Interview 1: Focused on Proximity in Musicians' music activities
- Interview 2: Focused on Proximity in Music Festivals and Musicians

These first-hand materials are used to analyzing some of the latest views of independent musicians, minimizing the weakness of document analysis like bias and insufficiency of the reports and the introductions about independent musicians and music companies. The difference between the transcripts and documents for document analysis is that some of the concepts and words used by the participants are not the same, and the words for describing the same thing can be diverse. Therefore, when analyzing, similar words in two different interviews are compared to figure out whether they have the same meaning, and also put the words and phrases in the context including the tones of speaking to get a more explicit meaning of their statements.

In order to be consistent with the document analysis for the sake of presenting and analyze the results, the transcripts here are also coded according to the concept framework of proximity, and the results will be constructed by themes (five dimensions of proximity), each theme also divided according to the national, regional, companies and musicians scales.

## **4 Results**

The results of document analysis will be categorized by five dimensions of proximity and indicated in this section. All the codes are divided in to three levels: policy, company, and musician. And the policy level has two aspects: national and regional policies. The table in the next page summarized the policies and activities relate to each dimension of proximity.

Table 2 Results Summary

		<b>Cognitive Proximity</b>	<b>Social Proximity</b>	<b>Institutional Proximity</b>	<b>Organizational Proximity</b>	<b>Geographical Proximity</b>
<b>Policies</b>	<b>National</b>	<ul style="list-style-type: none"> <li>Cultivating multi-skilled experts (e.g. who are skilled both in music and Internet technology) (Document 1&amp;4)</li> </ul>	<ul style="list-style-type: none"> <li>Online &amp; offline communities; Websites (Document 2&amp;4)</li> </ul>	<ul style="list-style-type: none"> <li>Setting the same (national) laws and rules for protecting copyrights for music (Document 1&amp;3&amp;4&amp;5)</li> <li>Tax reducing (Document 2)</li> <li>Funding for important music projects (Document 1&amp;4)</li> <li>Guarantee certain land use of cultural industry in planning (Document 1&amp;2)</li> </ul>	<ul style="list-style-type: none"> <li>“Culture+” and “Culture +Internet”: combining cultural industries with relevant industries like tourism and Internet technology (Document 1&amp;4)</li> <li>Globalization: promoting international cooperation (Document 2)</li> </ul>	<ul style="list-style-type: none"> <li>Establishing culture/music industry clusters (Document 1&amp;2)</li> <li>High expecting output value of national music clusters (Document 4)</li> </ul>
	<b>Regional (Chengdu)</b>	<ul style="list-style-type: none"> <li>Cultivating multi-skilled experts (Document 6)</li> </ul>	<ul style="list-style-type: none"> <li>Communities for formulating informal regulation and create standard setting in music industry (Document 6)</li> </ul>	<ul style="list-style-type: none"> <li>Protecting copyrights</li> <li>Tax reducing on copyrights trading</li> <li>Funding or subsidies for:                             <ul style="list-style-type: none"> <li>- music live performance</li> <li>-famous music companies to register in Chengdu</li> <li>-international live performance</li> <li>-Public servicing music performance</li> </ul> </li> <li>Rewords for:                             <ul style="list-style-type: none"> <li>-Winner in the campaigns of original music</li> <li>-Companies financially supporting music industry</li> </ul> </li> </ul> (all above are from Document 6)	<ul style="list-style-type: none"> <li>Recruiting regional headquarters to locate in Chengdu (Document 6)</li> <li>Industry clusters for cooperation between organizations (Document 6)</li> </ul>	<ul style="list-style-type: none"> <li>Establishing of music clusters in four districts of Chengdu according to local economic and natural background (Document 6)</li> <li>Establishing Chengdu Music Neighborhood (Document 6)</li> </ul>
<b>On the Ground Experiences</b>	<b>Music Company</b>	<ul style="list-style-type: none"> <li>Music company: cooperating with partners “in the same industry” (Interview 2)</li> <li>Appreciating the skills of musicians when recruiting (Interview 1)</li> </ul>	<ul style="list-style-type: none"> <li>Online community/websites: following the updates of potential communicating musicians (Document 10)</li> <li>Friends: recommend musicians to company (Document 10)</li> <li>Kinship: main personnel in Modern Sky (Document 10)</li> </ul>	<ul style="list-style-type: none"> <li>Modern Sky’s strategies of developing fit with the national and regional standards of governmental financial support:                             <ul style="list-style-type: none"> <li>-registered in Chengdu;</li> <li>-globalization;</li> <li>-holding public service project, Sing for China</li> <li>-Labels and subsidiaries in different industries: Modern Sky House; Visual design label MVM; Modern Sky Lab; Book labels; Strawberry music festival label and sub-labels in different music genre</li> </ul> </li> </ul> (all above are from Document 9)	<ul style="list-style-type: none"> <li>“Music +”: Modern Sky combines music with sports, tourism and garment design</li> <li>Control of its labels or sub-labels, subsidiaries or other economic activities:                             <ul style="list-style-type: none"> <li>- headquarters in Beijing and Chengdu</li> <li>-Subsidiaries in Yunnan, Xi An</li> <li>-Modern Sky UK</li> <li>-Modern Sky USA</li> </ul> </li> <li>Cooperating with Starsing Music to establish a world music company named Beiheshan</li> </ul> (all above are from Document 9)	<ul style="list-style-type: none"> <li>Modern Sky: located in music cluster named Chuang 1958 (Document 9)</li> <li>Geographical proximity shows positive relation to organizational proximity: 13 partners in Beijing, 6 in Chuang 1958, 12 all around China (Document 10 and the locations are found in Google Maps)</li> </ul>
	<b>Musician</b>	<ul style="list-style-type: none"> <li>Building social network (music 1) (Interview 1)</li> <li>Joining Modern Sky for technical support in music (CDs, recording) (Interview 1)</li> <li>Aesthetic and style similarity between musicians and CD producers in Modern Sky when choosing producers (Interview 1)</li> </ul>	<ul style="list-style-type: none"> <li>Joining Modern Sky introduced by Haisong Yang (Interview 1)</li> <li>Choosing cooperating musicians: friends, driven by cognitive proximity (doing the same genre) (Interview 1)</li> <li>Cooperating with Genjing Record through Haisong Yang (Interview 1)</li> <li>Social network with fans or friends: sharing music to friends on social medias, publish them to online music community on which they also share their contact information (Interview 1)</li> </ul>	<ul style="list-style-type: none"> <li>Too less institutional proximity in culture background: when the mainstream media started the program, The Rap of China, independent genres began to decline (Interview 1)</li> <li>Need financial support from government for their music activities (Interview 1)</li> </ul>	<ul style="list-style-type: none"> <li>Controlled by Modern Sky:                             <ul style="list-style-type: none"> <li>- In copyrights (Interview 1)</li> <li>- In sharing profits of CDs and live performing (Interview 1)</li> <li>- In working mode: independent or not (Interview 2)</li> </ul> </li> <li>Choosing or cooperating with the different sub-labels in one company: e.g. Taihe Music (Interview 1)</li> </ul>	<ul style="list-style-type: none"> <li>Geographical proximity in the scale of Beijing: most musicians of Modern Sky are in Beijing (Interview 1)</li> <li>Permanent proximity is not necessary: only co-located when producing CDs or more professional recording (Interview 1)</li> <li>Promote social proximity (Interview 1)</li> </ul>

## 4.1 Cognitive proximity

On the level of policy, cognitive proximity shows in the governmental supporting for cultivating versatile talents or experts who are skilled not only in music but also in other industries (like Internet technology) by the government. This strategy is relating to promoting cultural industry developing in the policies, “culture+”, which means combining culture and its related industry like tourism and Internet technology, improving the collaborative developing of different industries (Document 1; Document 4). On the level of regional policy, those strategies are also included, as well as attracting headquarters of famous music brand to register in Chengdu (Document 6).

On the level of company, cognitive proximity mainly exists in two aspects. First, in the cooperation of companies: Modern Sky’s directly related companies in Document 10 have cognitive proximity with it, in the aspects of music genre, cultural products’ marketing, aesthetic, technology and so on (Document 9; Document 10). Second, the cooperation between musicians and the music company: cognitive proximity works more like a precondition. Before sign with musicians, the companies evaluate the musicians’ music work to see whether they are suitable for their project (Interview 1). when talking about how the musicians are found out and recruited by the company, Musician F, in Interview 1, said:

*At beginning we have live performance and accumulated fans, then we publish our demos [on the internet]. After that, when the producer found the demos and appreciate them, they will sign the contract with us. [...]. Most of the musicians share the same experience. If others did not hear our voice, how would they know your talents and sign contract with you?*

When talking about Musician F’s band joining Modern Sky, he said:

*The main singer of PK 14, Haisong Yang, listened to some of our demos when he cooperated with Modern Sky, [...], and they invited us to join the music festival of Modern Sky, to see whether we are suitable for their project. After the performance, Yang communicated with us about joining Modern Sky [...].*

On the level of musicians, cognitive proximity is the precondition of organization proximity. It promotes the musicians’ joining music company and working within its organization, and musicians’ cooperation with each other, and choosing CD designers

and producers in the company. Also, it promotes the building of the social network of the musicians both in and between organizations.

About musicians' joining music company, the expert knowledge and technology that are based on the same field are the reasons for the musicians' joining the company. Modern Sky is a music company which sharing the same knowledge base with the musicians and supporting them with relevant knowledge, technologies, and resources that they need (Interview 1). And when choosing the cooperating musicians and CD designers and producers, musicians tend to choose musicians or staffs in the same genre or sharing same style with them. About social network, musician F is familiar with the musicians in the same genre in Modern Sky (Interview 1): "we are on the same wavelength" according to Musician F. Even some of the bands in the same genre left Modern Sky, they continue cooperating with them (Interview 1). Social network based on cognitive proximity connects independent musicians to other organizations. As Musician F said in Interview 1:

*At that time, we only eager to have a CD of our own, as a band in the second-tier city in China. It was Very simple. We did not think about being famous someday.*

And when he talked about what kind of support that the company is supporting his band in interview 1, he said:

*"The company supports us with producing CDs, recordings, promoting and so on. These works done by them are much better than us."*

Musicians can ask the companies for the CD designer and producer for the style of the product they prefer. Here, Musician F said in interview 1:

*We communicate with the company about who we want to be our CD producer and what style that we want, but the results of each album of ours are not the same. Perhaps it is not completely because of the producers, but us, as well.*

When talking about his band and its connection with another company, Genjing Record, is through Haisong Yang, who also introduced them to Modern Sky (Interview 1). The social network based on cognitive proximity resulted in Band F's being introduced to Modern Sky and published some vinyl records with the other record

company which is also located in Beijing (Interview 1). It will be further discussed in the part of social proximity.

## 4.2 Social Proximity

On the level of national policy, to promote innovation in cultural industry, the policies encourage building online and offline communities or websites, as platforms for promotion music work, communication, and cooperation in music industry (Document 2&4). On the level of regional policy, in Chengdu, the policy supports social organizations to “build the platform for public services, in order to formulate informal regulations through communities in music industry, resources managing, brand creation, standard setting, and cultivate talents or experts.” (Document 6)

On the level of company, social proximity shows in companies’ using the online community or websites to follow the updates of musicians and cooperating with musicians through the recommends in the social network, and kinship in cooperating in and between companies. First, about the online community, when holding music festivals, the internet provides the music festival holding company the online community to follow the updates of musicians, so that they can cooperate with those who attracted them (Interview 2). Second, about friendship, the company also considers cooperating with the musicians who are recommend by their friends in the same industry. As Musician A said, “*following the musicians on the Internet, the recommend of friends in the same industry*” (Interview 2). Third, kinship is also important in the cooperating network of the music company. In the company network of Modern Sky, in all nine cooperating entrepreneurs including the CEO of Modern Sky Lihui Shen, three are sharing kinship: Lihui Shen, Zunguang Shen, his father and Ying Zhang, his wife (Names of people are from Document 10, and their relationship are found out by searching for them on Google).

On the level of musician, the partnership between musicians and music companies are highly rely on the social network of the musicians. It is reflected on three situations: the situation when musicians are choosing a music company to join, when choosing cooperating musicians both in and outside of the music company and when getting cooperation with organizations apart from the music company they belong to. The first situation shows in the Musician F’s choosing the music company and labels: according to Band F’s experiences, an independent music label in their mind before they joined Modern Sky is Maybe Mars, a label where Haisong Yang’s band belongs to (Interview

1). Haisong Yang shares social relation with Musician F because of the common third party, the first drummer of Haisong Yang's band (Interview 1). The drummer is from the same city where Band F is (Interview 1). After the drummer left Beijing and come back to his hometown, they knew each other, and through the drummer, they got contact to Yang (Interview 1). And at that time, Yang was cooperating with Modern Sky in a project (Interview 1). Since Modern Sky approached to them first, they joined it (Interview 1). Third, about the aspect of musicians cooperating with organizations apart from Modern Sky, Haisong Yang also connect them with Genjing Record and the band cooperated with Genjing to produce vinyl records (Interview 1).

Social proximity also exists between musicians and their fans or potential fans (friends) on their social medias. Mostly, the musicians share their music works through their social medias to their friends, and also publish them on the online music community, where the music labels, companies or some other music organizations can find their works and contact with them (Document 8; Interview 1).

#### **4.3 Institutional Proximity**

On the level of national policy, institutional proximity shows in publishing the same laws, rules, and standards on the national level. The policies emphasize the protection of IPRs (intellectual property rights), standardize management system and infrastructure, reducing tax, setting funding for cultural industries, and provide the guarantee of cultural construction land use in urban planning (Document 1&3&4&5). The national copy administration published *The Notice on Commanding online music service providers to stop unauthorized distribution of music works*, stopped the illegal spread of unauthorized music work online since 31<sup>st</sup> of July, and punish the illegal providers since then according to the laws (Document 5). Among those, the tax reducing policies are to be improved and conducted in areas like design, firms, publishing, and anime. On the level of regional policy, in Chengdu, these strategies are reflected in the same rules and setting standards to reward companies invested in the music industry, reward the winners in the campaigns of original music, and setting funding to attract music companies, international cooperation and public service music programs (Document 6). Tax reducing shows in promoting copyrights trade (Document 6). The strategies are listed in Table 2.

On the level of company, institutional proximity shows in Modern Sky's adjusting and expanding its business to fit with the national and regional policies and rules, and

by this, meeting the standards of getting funding. Modern Sky advocates a model of “music+”, which is combining music with various aspects of life, like sports, tourism, and even visual design (Document 9). These strategies are in the industries listed in the national policies to set funding for. Also, Modern Sky took part in a public welfare program, Sing for China (Document 9). These strategies match the promotions in the policies, so that the company has the chance to get the funding. The “music +” developing mode will be elaborated in the part of organizational proximity.

On the level of musician, first, institutional proximity shows in their needs of their music works’ copyright. According to Musician F, the copyright of the music works of Band F belongs to Modern Sky due to the contract, thus, he does not know much about the influence of the changing of the rules of copyrights since 2015, which happened after they joined Modern Sky (Interview 1). Copyright protection constrained their usage of their music works and the spreading of them. About copyrights, Musician F mentioned that when they cooperated with Genjing after joining Modern Sky, they need to use their music works of which the copyright is not belonging to the company (Interview 1). His band is now planning to negotiate with Modern Sky about the owner of the copyright when they extend their contract with the current company or join a new one (Interview 1).

About institutional proximity shows between independent musicians and the mainstream culture, it has been too less since the mainstream media began to promote rap (Interview 1). The preference of the audiences is regarded as the most or the decisive part in promoting their music by Musician F (Interview 1). According to Musician F in interview 1, the a TV program named The Rap of China in 2017 captured the audiences focus to rap, since then, the “traditional independent music genre” (according to Musician F) like rock n roll, have begun to fade from the eyesight of the public, even though independent music had been in a good situation between around 2010 to 2015 (Interview 1). The report of independent musicians in 2016 also shows the boom of independent musicians before 2016, and after that there is no official statistics of independent musicians published yet (Document 8).

Too less institutional proximity may also be the reason for the Musicians’ “need for financial support from the government” (interview 1), because being a full-time independent musician cannot earn a living, and most of the independent musicians are part-time musicians (Interview 1; Document 8).

#### 4.4 Organizational Proximity

On the level of national policy, organizational proximity shows in promoting the cooperation between organizations in different industries domestic and abroad. Cooperation between different organizations promote organizational proximity through sharing common routines and regulations signing contracts and agreements. New collaborative working routines and strategies are encouraged to be set among organizations (Document 4). Three types of new models are mentioned in the policies: “Culture+” (Document 4), “Internet +” (Document 4), and “Internet + Culture” (Document 1). “Culture+” is the strategy that combines culture with its relevant industries in order to get more values and chance for developing (Document 4). “Internet +” is to support the establishment of Internet cultural industry and the innovation of the products (Document 4). “Internet + Culture” is to apply the Internet technology to support the development of technology in cultural industry, formulating sharing routines in the two industry and set up online art education (Document 1). In the national policy for music industry, the purpose is to build “vertical industry chains such as music creation, recording, publishing, reproduction, distribution, import and export, copyright trading, performance, education and training, music derivative products, connecting music and broadcasting, film and television, animation, games. The horizontal industrial chain such as network, hardware playback equipment, and musical instrument production basically forms a comprehensive music industry system” (Document 4). These policies also show in the international market. Promotion of globalization like outputting cultural product through digital business and market, building oversea Chinese culture center and so on, are all strategies to help the globalization of culture industry (Document 2).

On the level of regional policy, in Chengdu’s policy, organizational proximity shows in recruiting regional headquarter to locate in Chengdu and building music industry clusters for cooperation between organizations. In Chengdu, different genre and music related infrastructure and clusters are set in distinct kinds of industrial district (Document 6). This clusters promotes organizational proximity by promoting the collaboration of the organizations within each district. For example, music halls, resources and local markets are located in the city center; the music companies clusters, talents and innovation cluster are on the eastern part; the music clusters and parks are in the northern part with sightseeing area and higher education institution of music; the western part is for the traditional music, relying on the Non-legacy exhibition center (Document 6).

On the level of company, organizational proximity shows in the “Music +” developing mode within the company (combining music with different industries like sports, tourism, visual design and so on); controlling its labels, subsidiaries and musicians within it; and cooperating with other music companies to achieve “Music +” developing mode. Organization proximity also supports the globalization of Modern Sky.

About the “Music +” developing mode, Modern Sky is now expanding its business and industrial range related to people’s lifestyles (Document 9). Organizational proximity among all these sectors are built within the same company. For example, it is now conducting a project named Modern Sky House, “based on Modern Sky’s resource and experience of aesthetics”; in 2017, it established a visual design label MVM, and a sports label Modern Sky Sports, in 2016, it established Modern Sky Digital Media Technology; in 2015, it established Modern Sky Lab, which provides space for combining music and live styles; it also establish a life style brand Naturally Wakes Up, advocating a slow and zero stress live style (Document 9). In addition, Modern Sky runs book labels and music festivals sub-labels in different music genre (Document 9). On controlling its labels or economic activities in various places, it established headquarters in Beijing and Chengdu, subsidiaries in Yunnan, Xi An, and overseas subsidiaries, Modern Sky UK and Modern Sky USA (Document 9). These places are far from each other, permanent geographical proximity does not exist here. Modern Sky also cooperated with other music companies (Document 9). And about cooperating with other music companies, in 2018, Modern Sky cooperated with Starsing Music and established a new music company, Beihesan World Music Company which aims to promote the combination of traditional folk music and world music (Document 9). And it also cooperated with iPod, produced Modern Sky for iPod Shuffle (Document 9). These working field are the common fields of Modern Sky and Starsing, both in organization and in cognition.

On the level of musician, organizational proximity shows in controlling of copyrights, live performing, sharing profits like CDs, and influencing their working mode (to be independent musicians or not). The musicians’ activities are controlled by Modern Sky through their brokers from the Modern Sky according to the working regulations of Modern Sky (Interview 1). In the aspect of controlling copyrights, Band F’s copyright of its music works belongs to Modern Sky due to the contract (Interview 1). There are various kinds of contracts with different degree of control (Interview 1). Musician F has the full control contract with Modern Sky (Interview 1). In the aspect of live

performing, which means the broker arranges and schedules live performance for his band, and they cannot choose any live performance if the musicians do not have a permission from the music company (Interview 1). Modern Sky gives permission to the musicians for those “meaningful” performance they choose, rather than some “small” ones (Interview 1). In the aspect of sharing profits, Modern Sky take charge of producing CDs, recordings, promoting of their music works and shares the profits of CDs and music festivals (Interview 1). According to Musician F, they scarcely got profit from their CDs, for their sales volume is very low, people mostly listen to their music on the Internet (Interview 1) (but they sell signed CDs on the Modern Sky website and during live performance anyway<sup>1</sup>). “Not all independent music bands can sell millions of CDs like Black Panther [a famous rock music band in China]”, Musician F said in Interview 1. However, they are not unsatisfied with these controls. The technology, resources and the platform that are given to them, and respecting their choice of live performance to some extent, make them focus more on the music. Musician F thinks it is understandable to have those control and routines even though there is less freedom (Interview 1). These supports satisfied the needs of the independent musicians, for they will not do as good as the company for lacking the professional devices, knowledge, technology and maybe, time (for most of them are part-time musicians) (Interview 1; Document 8). Also, the degree of control influences the independency of the musicians. The famous musicians are provided more professional resources by the music company, like having music producing teams and instrumental players<sup>2</sup>. But, at the same time, they may not be independent anymore. According to Musician A in interview 2, he does not think Modern Sky as an independent music label:

*Even though Modern Sky has independent style, it is only a business company, which takes part in a lot of business activities out of the range of music. [...] Whether a musician is independent in the company depends on how famous the musician is. For example, one singer, Song, is already a super star.*

Obviously, Musician A thinks that the famous musicians in Modern Sky are not independent. Also, from the introduction of Song’s music works (mentioned by Musician A) on the website of Modern Sky, Song’s recent music works do have arranger team and instrumentalists<sup>2</sup>, which does not fit with the definition of independent musicians in this thesis.

In addition, the organizational proximity among different music labels can benefit independent musicians. There is an example that participant F referred to: Taihe Music,

a big independent music company which absorbed many music labels as its sub-labels, has intensive competition between the sub-labels, that is, within the organization, in recruiting musicians (Interview 1). Musician F thinks even though it seems like a disadvantage, it gives independent musicians more choices (Interview 1). He did not talk about the situation in Modern Sky during the interview, but Modern Sky also has different sub-labels of different genres of music within it.

#### **4.5 Geographical Proximity**

On the level of national policy, geographical proximity shows in establishing cultural industries clusters (Document 1&2). According to the national policies, innovation is encouraged in these clusters, not only by innovation in technology, but also in the models of combination of culture and technology and financial services (Document 1&2). The policy for music industry highly values the economic efficiency of national music industry clusters in the music industry: “by the end of the Thirteenth Five-Year Plan period, the entire music industry will achieve an output value of 300 billion yuan. Among them, the national music industry cluster will achieve an output value of 100 billion yuan, becoming a backbone music industry cluster with strong influence and competitiveness both domestic and abroad” (Document 4). On the regional level, Chengdu is also promoting the establishment of national music industry clusters, Chengdu Music Neighborhood, and industrial districts (which are already indicated in the organizational section) (Document 4). These clusters aim to agglomerate music talents and companies, in order to help Chengdu to become an important city for copyright trade and music performance (Document 4).

On the level of company, geographical proximity also shows in the existence of clusters. Modern Sky’s national headquarter in Beijing, and some of its cooperating companies are in cultural industry cluster, Chuang 1958 (Document 9&10). Even it has partners outside of the cultural industry cluster in China, more than half of them are in Beijing, and almost half of those in Beijing are in Chuang 1958 (Document 10, and the locations are found in Google Maps). By analyzing the diagram of related companies, among 13 related companies in Beijing, 6 are in Chuang 1958 (some even in the same building) with the headquarter of Modern Sky (Document 10, and the locations are found in Google Maps). Those companies are working with Internet technology and cultural communication (Document 10). Seven other companies scattered in various places in Beijing (Document 10, and the locations are found in Google Maps). There are 12 companies in other cities, 4 are in Tianjin, a city near Beijing, and a headquarter

in Chengdu, 2 subsidiaries in Shanghai, 2 in Zhejiang, 1 in Xi An, 1 in Jiangsu, 1 in Yunnan and 1 in Guangzhou (Document 10). These companies do not show obvious geographical proximity with one another.

On the level of musician, geographical proximity also exists but not necessary to be permanent in their working processes in the music company, and the permanent co-location of musicians and music company does not exist, but geographical proximity still exist in the scale of city. Also, geographical proximity promotes the formulation of social network of the musicians.

The independent musicians in Modern Sky do not work in the office of the music company, but where they are working with their primary job, and only when they are going to record their music to make CDs, they need to go to the company (Interview 1). The brokers who work in the office of Modern Sky, work as the link between musicians and the company (Interview 1). They get contact to each other through Internet or phone calls (Interview 1). For Band F, the bass player is working as a recorder, so if they only need to record demos, they do not need to be co-located with Modern Sky (Interview 1). That is also the reason for they barely know anything about the music cluster where Modern Sky is in (Interview 1). However. According to Musician F, most of the musicians are living in Beijing, the same city as where Modern Sky is, and the other musicians are scattered in different cities of China (Interview 1). Also, according to the report of independent musicians, Beijing has the largest number of independent musicians in China, followed by Guangdong and Sichuan province (Document 8). So, independent musicians still agglomerate in some provinces and Beijing, the capital city, even they are not co-located in the music companies or labels or the industrial clusters.

Geographical proximity can also promote the cooperation between musicians and different organizations through building social network of musicians. As indicated in the part of social proximity, Haisong Yang is the one who connected Band F with Modern Sky and Genjing record (Interview 1). They get connect with Yang because the first drummer of the band of Yang comes from the same city where Band F is (Interview 1). After the drummer left Beijing and come back to his hometown, they knew each other, and then Yang listened to the music of Band F (Interview 1). By geographical proximity between musicians, the social network is established.

## 4.6 Conclusion

This section answered the research questions on the dimensions of proximity that are manifested in the policy documents and on the ground experiences. It answered the question by dividing policy into two aspects: national policies and regional policies, and the ground experience into company level and musician level.

About the research question on the policies/strategies and experiences on the ground that are adopted in the policies, the promotions and developing strategies are listed in each dimension of proximity in table 2, and the roles of each dimensions of the policies are explained in the text. The results will be summarized below:

First, about cognitive proximity, both national and regional aspects are promoting cultivating multi-skilled experts in order to bridge the knowledge gaps between industries; for the music companies it is in choosing partners within the industry and recruiting musicians when seeing their music skills; cognitive proximity shows in the musicians joining the label and cooperate with the CD producers, and promote the building of the social network of the musicians. Second, about the dimension of social proximity, on the policy level it shows in building online and offline community or websites in music industry; on the company level, 1) companies follow musicians' updates through the websites or online community before decide to cooperate with them, 2) friendship also connect musicians to the companies, 3) kinship is a tie of main personnel in the company and of cooperating companies; on the musician level, it is also in connecting musicians with music companies for cooperation, other musicians and their fans or friends to promote their music. Third, about the dimension of institutional proximity, both national and regional policies are about setting the same laws and rules to protect copyrights for music works and common standards for tax reducing and funding, guaranteeing the certain land use of the music industry, in order to promote the cooperation between industries, globalization and so on; on the ground, the company's strategies on registering in Chengdu, globalization and building different labels in different industries are all matching the policies to get the support, and this strategies also promote organizational proximity on the company level, between different industries; on the level of musicians, it seems that the institutional proximity of the culture background is too less for musicians. Fourth, about organizational proximity, on the national policy level, it shows in combing cultural industry (including music industry) with other related industries like Internet technology, tourism and so on, not only in the innovation of products but also using the technology to support one

another; promoting international cooperation; on level of regional policy, it shows in recruiting regional headquarters to located in Chengdu to collaborate with the other companies in music industry in Chengdu, and setting industrial clusters to promote cooperating between companies within them; on the ground, the music company established labels in different industries, control its labels and musicians and establish new company with other company; and the independent musicians are controlled by the music company through organizational proximity: in copyrights, sharing profits of music festival and CDs; and the proximity between different labels provides more choices for the independent musicians. Fifth, about geographical proximity, the policies in both aspects are about establishing music industry clusters; on the ground, it also shows in the company and its partners' locating in the culture industry cluster and in the same cities; co-location of the musicians and the company is not necessary, but the geographical proximity of the musicians are still in the city level; and geographical proximity of the musicians also promotes social proximity between them.

From all the policies that are listed in the table, the mostly mentioned dimensions of proximity are found in policies and on the ground experience. In the policies, institutional proximity, organizational proximity, and geographical proximity are mostly mentioned, and the institutional proximity in setting standards of funding and tax reducing to support companies promotes the organizational proximity on the company level. On the company level, organizational proximity, social proximity, and geographical proximity are mostly mentioned. And on the musician level, social proximity, cognitive proximity, organizational proximity, and geographical proximity (temporal and in the scale of city) are mostly mentioned.

In sum, all five dimensions of proximity are referred to in the documents and the activities of the independent musicians and the mostly mentioned dimensions are different on distinct levels. The comparison of dimensions of proximity between distinct levels will be illustrated in the next section, following by understanding it through conceptual framework.

## **5 Analysis**

The research question on how the policies are related to the mini-major music company and the independent musicians according to dimensions of proximity will be answered in this section. In this section, the dimensions of proximity in the policies and on the ground (the activities of the mini-major music companies and independent musicians) will be compared. After that, the result of comparison will also be related back to the concept framework and the background of China's music industry, shedding light on understanding how the five dimensions of proximity are working on the ground by understanding the instincts of activities of mini-major music companies, and explaining the reason for the differences between the policies and the ground.

### **5.1 Comparison of Dimensions of Proximity in the Policies and on the Ground**

The dimensions of proximity in the policies and on the economic activities on the ground (the activities of the mini-major music companies and independent musicians) will be presented by similarities and differences.

#### **5.1.1 Similarities**

On the national and regional level of policies, there exists significant similarities. All the promotions according to dimension of proximity in the national level are reflected in Chengdu's policy document. The regional policies are rigidly designed through the national ones and are more concrete and suitable in Chengdu's economic and geographical context, like the location of music clusters and the strategies in setting tax incentives and the funds. Second, among the policy, company and musician level, similarities in each dimension of proximity exist.

First, cognitive proximity is both promoted and limited in the policies, and it is also emphasized in the activities of the music company and the musicians. Also, it has two functions: first, promotes the cooperation of organizations and the musicians' joining the label; second, being the precondition of organizational and geographical proximity. In the policies, it is promoted by cultivating versatile experts who are skilled in different industries at the same time. These experts build the bridge between the knowledge of different industry. In this way, the same background among different industries is formed, which is, the certain degree of cognitive proximity, which makes the cooperation among organization of music related and other industries possible. On the company level, the company's non-music projects like hotel and visual design label,

are all based on the same “aestheticism” of the company. The musicians also chose to join the music company because of its technology on music. In terms of the functions of cognitive proximity, it promotes organizational proximity, social proximity, and geographical proximity. In the activities of the company, it is the foundation of cooperation of organizations, organizational proximity is built when the music company cooperates with the other company, with the same set of rules, agreements and routines that are set for the common visions (for example, the project of “Beihe-san” and the exchanging of musicians between different companies). In the policies, allocation of music companies for different districts of music industry clusters are based on the cognitive proximity between the music companies and the local economy (it will be indicated in the similarities on geographical proximity). But, on the other hand, cognitive proximity is also limited, or in another word, cognitive distance is also in the policies and the strategies of companies when emphasizing building new business models which combine music with other (even non-music) industries, that limits the possibility of formulating too much cognitive proximity in the music industry system and its relevant industries. About social proximity, the online and offline music communities which are encouraged to build according to the policies are from the musicians, and musicians work in the same genre tend to befriend with each other.

Second, social proximity is promoted in the policies and emphasized in the activities of the music company and the musicians. It compensates the functions of organizational and institutional proximity in the sense of rules and regulations and promotes the organizational proximity. In the policies, as indicated above, online, and offline music communities are encouraged to build. Social proximity is also shown in the musicians and labels in this way together with organizational proximity. In the policies, two of the purposes of those societies are “promoting the self-discipline of industries” and “setting standards. The “self-discipline” and “standards” are compensating the control and regulations when the organizational and institutional proximity are too less or cannot achieve alone.

Third, institutional proximity is also reflected in the policies and on the ground. It shows in organizations and individuals’ sharing common laws and regulations, and the culture or consumption environment (both domestic and abroad), both are for organizations and individuals. About the laws and regulations, institutional proximity works directly on the level of music company, and through the music company it works on the musicians. Institutional proximity in the policies, like common rules or standards for choosing governmental support projects or organizations, works directly on the

music company and related industries. Modern Sky works hard in multi-industry projects that match the standards in order to get the support like tax reduce and subsidies. At the same time, institutional proximity like common rules or standards works on the independent musicians through a certain degree of control of the company, which is, organizational proximity. The control shows in the regulations and working routines set in the collaboration of musicians and the company according to their contract, especially when the copyrights of the musicians belong to the company. And about the support on the tax or subsidies, it works first in the organizations, through organizations it promotes more projects that match it, than the musicians are benefited from the chance that they are given through the projects. For the musicians, the culture or consumption atmosphere is not only influenced by them, but also influencing their chance to promote their music, this shows in the sense of institutional proximity in culture or consumption environment. When one genre becomes increasingly accepted in the culture, the market of other genres will be shaken (see the example about The Rap of China in the results section). Therefore, the institutional proximity for the music companies and the musicians are not only built within them, but also between them and their fans, or, audience.

Fourth, organizational proximity occupied the largest part of both policies and on the ground. In the organization, certain degree of control and autonomy are both emphasized. That means organization proximity is important, but too much proximity is not beneficial. The control shows in two aspects: the globalization and expanding of the labels and the management of copyrights. On globalization and expanding of the labels, the branches in different areas are promoted through certain degrees of control, (for example, Modern Sky is building the regional headquarter in Chengdu). The independent musicians are also working under the organizational management, like the company's taking charge of their copyrights, allocating the resources, or deciding them to be independent or not. At the same time, the autonomy shows in the difference of independent labels in the same company. The intense competition among those labels promotes innovation and provides more choices for the independent musicians when deciding the label to join.

Finally, the similarity of geographical proximity is in the setting up industrial clusters in the polices and the aims of the strategies are realized in the company's activities. Geographical proximity works under the background of cognitive and institutional proximity and promotes organizational proximity. The policies for clusters are indicated in the results section, and Modern Sky also cooperates with companies

like Internet technology and cultural communication companies in the cluster (Chuang 1958) where its Beijing headquarter is located. What is more, the cooperation network of Modern Sky also shows that even though it has subsidiaries and regional headquarters in different cities in China and even abroad, most of its related companies are in Beijing, and mostly in the cluster Chuang 1958. For the independent musicians, even though they are not co-located with the companies, most of them are living in Beijing. As for its relationship with the other dimensions of proximity, in Chengdu's regional policy document, geographical proximity promotes organizational proximity on the background of institutional and cognitive proximity on the level of labels. In Chengdu, the four districts for music industry in different sectors are planned based on the policies for building clusters and the local technology and economic background (cognitive proximity between the local organizations and the related music industries) of them. In each district, the cooperation among of organizations are promoted by geographical proximity by gathering together, connecting different industries.

### **5.1.2 Differences**

The differences are mainly in geographical, institutional, and social proximity. For geographical and institutional proximity, the differences are coming from the specific situation of the independent musicians. Their needs or activities about geographical proximity and institutional proximity are not the same of the policies and the music company. For social proximity, "guanxi" plays a more complicated role along with other dimensions of proximity than a general meaning of "online and offline music community" in the policy.

Geographical clusters are less meaningful than the city and social network for musicians when choosing cooperating organizations. But it does not mean that geographical proximity is not important for the musicians, rather, it cooperates with other dimensions of proximity and works in diverse ways on the level of musicians. On one hand, musicians may know little about the other organizations in the industrial cluster and have never cooperated with them. The other organizations that Music F worked or planned to work with (which he mentioned in the interview) are based more on social network. On the other hand, geographical proximity works in a larger range, not in the cluster but the city.

Institutional proximity that is promoted by the policies like forbidding the spread of the unauthorized music on the internet, promoting copyright trading, and the

influencing of the culture and aestheticism by the mainstream media and mainstream styles are simultaneously reduce the advantages of the independent musicians. Because most of the independent musician's works are not like pop music that sells CDs and get profits from it. The CDs that the independent musicians are selling may make no profits and are produced and sold as souvenirs for both musicians and fans. The income of the independent musicians is mainly from their live performance. If their music works are freely spread online, these works can have more chance to be exposed to the music companies or other organizations. Therefore, the independent musicians do not care about whether their music works spread online are unauthorized or not, but about being known and having the right to use their own music to cooperate with more organizations (according to Musician F's considering about getting the copyright back to their own).

The aims and function of social proximity in policies are different with that on the ground. There are three kinds of relationship: Social proximity for the musicians is not only among their peers, but also among them and their fans. Through building the group on the social media, the musicians share online and offline connection with their fans, interact with them, getting feedback and updating their performance and albums information in the group. Social proximity in the musicians' cooperating with each other is based on cognitive proximity like the "same genre" and institutional proximity in sharing values or similar opinions. Besides this kind of social proximity, personal "guanxi" network is also important and based on geographical proximity in the activities of the independent musicians and labels. This kind of "guanxi" only emerges after people leave their former society and come to new places. In the case of Musician F, the drummer who brought the "guanxi" with Musician F to Modern Sky has "guanxi" with Musician F because they both come from the same city and the drummer worked in the band in Beijing before. If they do not have other relations with each other, besides living in the same city before, like being or sharing friends, the "guanxi" can only emerge and work after the drummer left his hometown and went to another city, in his case, Beijing.

## **5.2 Relating back the Results and Analysis to the Conceptual Framework**

The emphasize on the different dimensions of proximity are also related to the instincts of music industry system. Therefore, the dimensions of proximity that are in the policy and on the ground will be explained by the conceptual framework of proximity and attributes of independent musicians and music company.

## **5.2.1 Cognitive and Geographical Proximity in Knowledge Flowing and Innovation**

Cognitive proximity promotes the knowledge flowing and innovation in the music industry system. The system highly relies on “product differentiation” rather than price (Lorenzen & Frederiksen, 2005. P205), which means innovation is important in the system. And geographical proximity promotes cognitive proximity by enabling the exchanging of tacit knowledge, and it helps the innovation of new developing mode by providing local market for experiments (Florida & Jackson, 2010; Kirat & Lung, 1999).

As indicated in the conceptual framework, proximity can promote the flowing and innovation of knowledge, especially tacit knowledge. Music production and festival arranging are both innovative processes with professional skills. Cognitive proximity helps knowledge exchanging, especially tacit knowledge and reduce the risk in their uncertain circumstance (Boschma, 2005; Torre & Rallet, 2005). Musicians and companies gathered together because of the own skills in music and the need of other skills (Interview 1). However, the distance of cognition is still needed, for it helps the competence of companies and avoids too much spillover (Boschma, 2005). Geographical proximity is planned in the policies always combines with the establishment of local infrastructures, and it also provides co-location and promotes cognitive proximity especially by influencing the flow of tacit knowledge (Boschma, 2005; Torre & Rallet, 2005). For the processes of expanding and globalization of the company, geographical proximity is also providing the “lab” for local marketing experiments for the innovation of development modes before it is expanded to the world market which is indicated in the conceptual framework (Florida & Jackson, 2010).

## **5.2.2 Co-Created Social and Institutional Proximity between Musicians and Fans**

Social proximity is special for the musicians because it exists not only among musicians, but also among musicians and their fans. The social and institutional proximity are also co-created by them. As indicated in the literature reviews of independent musicians, the community of independent musicians are built on the same social identity (Lee, 1995). It blocks the outsiders from getting into the system (Florida & Jackson, 2010). When holding life performance, especially music festival, a place representing relaxing or not productive is important, in creating social group for escaping from the daily life in order to pursue hedonism. In the music festival, institutional proximity shows in the sharing of same “value” and “culture” of the co-created personal that may look “abnormal”, and a society that does not value efficiency or productive (Szmigin, Bengry-Howell, Morey, Griffin, & Riley, 2017). Through this proximity, trust is also built in the society, where they are not shamed to share their own

feelings. In China's case, scholars describe the co-created culture and value as "spiritual escape and spiritual pursuit" (Y.-N. Li & Wood, 2016, P344). This is the value and the core attraction of the music festival. It is the result of the interaction between festival managers, musicians, and their fans (Szmigin et al., 2017).

### **5.2.3 Social and organizational Proximity and Formulating Loose Coupling System**

Organization proximity is important in and between music companies, but too much organization proximity is also a disadvantage for the system by blocking the newcomers outside and building a hierarchy system (Boschma, 2005). It is already indicated in the conceptual framework. And a loose coupling system is introduced to solve the problem (Grabher & Stark, 1997). A loose coupling system may be promoted by social proximity.

First, organization proximity is important in and between music companies for the coordination of the distinct parts with different motivation and perspectives like the musicians and the managers or marketing department (Lorenzen & Frederiksen, 2005). The latter are more focus on the customers and market, but musicians are focusing on the music playing skills and inspirations (Lorenzen & Frederiksen, 2005). Marketing is influenced even by the tax and support of the government, but the musicians is not really influenced by these, for they do independent music for their interests. So, a tight organization proximity is needed to help the company to run well with the collaboration of all the sectors.

Second, social network built by "guanxi" dyads also helps to build a loose coupling organization with ambiguous ownership and potential conflicts which at the same time provides the environment for negotiation for solving problems and an open system that welcomes newcomers. "Guanxi" in social proximity can open a system by letting outsiders in and breaking previous social network. It is a relationship that people can connect with each other outside of friendship or cognitive, organizational background. Newcomers coming from the same place as one of the staffs in the social network can also have almost totally different educational, technological, and social background. The "guanxi" dyads flow from the individuals and get into a certain social network. Also, since "guanxi" is not necessary built on kinship friendship, both sides of each "guanxi" dyad can decide whether they need to keep their "guanxi" with each other and re-evaluate this "guanxi" each time when they have connection (Chen & Chen, 2004).

However, too much certain kinds of “guanxi” in the system can also cause hierarchy that may reduce innovation because the hierarchy nature for the “guanxi” network of each person. People do not tend to challenge the “elders” in their “guanxi”. The definition of “elder” is relatively, like father to son, teacher to student, the oldest brother to his siblings, are the elders. Then innovative ideas and feedback from the bottom of the network maybe difficult to be seen if the hierarchy system is too strong.

#### **5.2.4 Understanding the Differences between Policies and the Ground through Concepts**

As indicated in the conceptual framework, the concept of “music industry system” in the policies shows the intendency of regarding the system as a single entirety, however, misusing the concept of “music industry” may cause inconsistency in the policies and the ground. Therefore, in this thesis, the differences between policies and the practice on the ground will be understand through from the perspective of usage of concepts.

First, the concept of “music industry system” in the policies is different from the “music industry system” in the conceptual framework. The second one emphasizes not only the importance of the discrepancy among various industries related to music in their activities, benefits, rights, and cultural background, but also the relations among different industries. However, even though the “music industry system” in the policy emphasizes on diversity, the strategies show the inconsistency in institutional proximity, like assessing the benefits and the rights of the copyrights of the musicians and the strategies to influence consumption are mainly for the mainstream industries, which cannot completely cover the groups and activities of independent musicians. Therefore, when talking about the development of “music industry”, or “music industry system” in the report and the policies, it may not mean the development of all the sectors, but only some representatives that achieve more output. Second, the policies are in different levels and are for the development of “culture industries” and “music industry system”, and the music company, Modern Sky, is not only doing the business of independent labels but also other industries related to music. The result of this is that even the visions and activities of music company highly matches the purpose on music industry in the policies, independent musicians are not directly related to these processes. For example, the projects match the policies of combining music industry with other industries like Modern Sky House (which is a hotel), visual design and Modern Sky Sports are not

participated by independent musicians (Document 9). For Musician A, Modern Sky is not an independent label, because the economic activities Modern Sky is doing now are mostly not related to the independent musicians (Interview 2). Therefore, the dimensions of proximity from the policies works directly on the music companies but are not all necessary for the independent musicians as indicated above.

## **6 Conclusion**

Developing the “music industry system” is promoted in China. In recent years, China’s policies and regulations are also improving and adjusting to the changing situation of music industry system, by supporting music industry system with funding, geographical clusters, publishing rules on copyrights of digital music works and so on (Document 1-6). On the regional level, municipalities are also supporting music industry system. Chengdu is an example, which plans to become a “music city” (Document 6). Modern Sky is also registered its Southwestern China headquarter in Chengdu (Document 10). Modern Sky was one of the earliest and biggest independent music labels but now becomes a mini-major music company which broadened its businesses but continuing doing independent music. In the yearly report of China’s music industry, digital music, music festivals and some other live performances that are related to the main activities of independent musicians are prospering (Document 7), while the report of the independent musicians shows the difficulties in their situations like marketing and technical supporting the and lack of the protection of their rights (Document 8). Also, there exist gap between the policy and the experiences on the ground due to the unclear usage of “music industry system”. Therefore, through case study, this thesis aims to analyze the policies, the on-the-ground experiences (economic activities of independent musicians and their music company) and the relation between them. This thesis chose policies that influence Chengdu (including national and municipal policies) and the economic activities of Modern Sky and its signed independent musicians as the case study of China.

The conceptual framework includes dimensions of proximity and concepts in music industry system. The conceptual framework of proximity is mainly based on Boschma’s (2005) five dimensions of proximity (cognitive, social, organizational, institutional, and

geographical proximity), for it is more suitable for the research purpose and background of this thesis. The concept of “guanxi” which is based on the social context of China is added into the dimension of social proximity. “Guanxi” is based on common identities of people like common third parties and social identities (like same birthplace, school and workplace) (Chen & Chen, 2004). Therefore, “guanxi” is not necessarily built based on previous social network. The concepts of “music industry system” and “independent musician”, “independent music label”, and “mini-major music company” are also defined in this thesis, and the studies on independent musicians’ main incoming earning activities like music festival, and live house are also reviewed. Those activities are highly relying on tight social network, governmental support and so on, which are all related to five dimensions of proximity.

In this thesis, the policies are analyzed by document analysis, and the activities on the ground are not only through documents but also empirical research of in-depth interviews. Document analysis is applied on analyzing 10 documents: 6 nation and regional policy documents and regulations, 1 latest national report on music industry, 1 latest survey on independent musicians by Net Ease music, one of the largest online music platforms in China, 1 document of Modern Sky’s instruction and big historical events and 1 document of the cooperating network and main personnel of Modern Sky. Semi-structured interviews are also conducted on the main singers of two independent music bands. The transcripts of interviews were analyzed according to five dimensions of proximity.

The research questions on the dimensions of proximity emphasized in each level are answered in the results section, and the relations between the policies and the ground are illustrated by comparison of them in the analysis section. All the dimensions of proximity are reflected in the policies and on the ground. In the policies, cognitive proximity is mainly built on promoting the cooperation within and between music industry system and Internet technology, which shares products and technology with each other. Cultivating multi-skill experts to bridge the knowledge gap of different industries is also the strategy to promote that (Document 1&2&4&6). Social proximity shows in building the online and offline music communities (Document 1&2&6). Organizational proximity shows in establishing culture or music industry clusters which promote the combination of music and other industries like tourism, Internet technology and so on (Document 1&2&6). The collaboration routine and similarity among organizations are built with the combination of them. Institutional proximity helps the promoting of music and culture that stimulate consumption, and the national laws and

regulations are protecting the rights of the music works (Document 1&2&5). Geographical proximity is also strongly emphasized by establishing music industry clusters or music cities (Document 1&2&6). On the ground, the music companies' activities are all directly matches and related to the policies, and through the companies, institutional proximity works on the activities of independent musicians (Document 9&10). The activities of independent musicians are mostly related to social proximity and organizational proximity (Document 9&10). And the social proximity is not only including similar social identities and “guanxi” between musicians that connect them with music companies and labels, but also the social relationship between musicians and their fans, and the further communications and feedbacks after their performance or about their albums. Musicians' joining the music company is related to organizational proximity and cognitive proximity. Standards, rules and routines in the company and the technology it has, helps musicians to record and manage their music work (Interview 1). As for building clusters, permanent geographical proximity there does not show importance to the musicians. But most of the musicians in Modern Sky are living in its current headquarter in Beijing (Interview 1), it shows the existence of proximity in the city scale. But only temporary co-location is needed. Institutional proximity which shows in sharing the same rules and regulations on copyrights on the national level for the music industry system is not necessary for the independent musicians, because their specific working modes. The difference in proximity on policy level and on the ground can be understood from analyzing the usage of the concept of “music industry system”. The policies show the tendency to categorize all the system in to the same represent of benefits, rights, and activities, even though it acknowledges the diversity within it. Thus, some of the activities and benefits of independent musicians are not considered in the policies.

The different emphasis on different dimensions of proximity is due to the instincts of music industry system. The system highly relies on innovation, cognitive proximity promotes the knowledge flowing and innovation in the music industry system. And the flow of knowledge, especially tacit knowledge, is promoted by geographical proximity. The music festival co-creates the culture, identity, and the sense of belonging between musicians and fans, which needs social and institutional proximity. The distinct parts of the organization need a certain degree of rules and routines to coordinate them. Social proximity with the specific part of “guanxi” may help to formulate loose coupling system to avoid too much organizational proximity. However, too much of certain kind of “guanxi” may cause too strong hierarchy.

There are some discussions that can be raised in further researches. First, the discussions on the positions of independent musicians and labels in the music industry system in the policies. In the policies and the national reports of “music industry”, “music industry system” is an integrated system, even though it has diversity within it. But according to the interview result, both participants do not think they feel the influence of the change of the policies on them. Therefore, how these independent musicians position themselves in the music system, whether it is consistent with the policy, and how the policies can be improved to help the development of the independent musicians and labels, are the questions remain to be discussed. Second, social proximity in China’s context needs more fundamental theories and empirical researches to have deeper insight of different meanings of relationship and how it works and be kept in building a social network. For example, understanding how this special kind of social relationship, “guanxi”, can help to reduce too much social proximity and build organizations which gives newcomers more opportunities to get in, and reduce the disadvantages of hierarchy.

**【Word Count: 22661】**

## 7 Notes

<sup>1</sup>This information is from the Official Website of Modern Sky (<http://modernsky.com/index.php/Records/index.html>) and the Musician F's online chatting about selling CDs during live performing

<sup>2</sup> This information is from the Official Website of Modern Sky (<http://modernsky.com/>)

## 8 References

### 8.1 Documents for analysis

(because the titles of the documents are exceedingly long, the documents are coded as document 1 to 10 to be easy to cite in the thesis)

Document 1: Reform Plan for Cultural Development during the 13th Five-Year Plan Period by the Ministry of Culture (Translated by the author) The original title: 文化部“十三五”时期文化发展改革规划. (2017). Retrieved May 4, 2019, from [http://www.gov.cn/xinwen/2017-02/23/content\\_5170224.htm%0A](http://www.gov.cn/xinwen/2017-02/23/content_5170224.htm%0A)

Document 2: The Main Points of Outline of Reform Plan for National Cultural Development during the 13th Five-Year Plan Period (Translated by the author) The original title is: 国家“十三五”时期文化发展改革规划纲要. (2017). Retrieved May 4, 2019, from [http://www.gov.cn/zhengce/2017-05/07/content\\_5191604.htm%0A](http://www.gov.cn/zhengce/2017-05/07/content_5191604.htm%0A)

Document 3: Central Committee of the Communist Party of China's Opinions on the Prospering and Developing Socialist Literature and Art (Translated by the author) The original title is: 中共中央关于繁荣发展社会主义文艺的意见. (2015). Retrieved May 4, 2019, from <http://theory.people.com.cn/n/2015/1020/c40531-27717319.html>

Document 4: Several Opinions on Vigorously Promoting the Development of China's Music Industry of the State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China (Translated by the author) The original title: 国家新闻出版广播电影电视总局关于大力推进我国音乐产业发展的若干意见. (2015). Retrieved May 4, 2019, from <http://www.gapp.gov.cn/news/1663/269733.shtml%0A>

Document 5: The Notice on Commanding online music service providers to stop unauthorized distribution of music works (Translated by the author) The original title is: 关于责令网络音乐服务商停止未经授权传播音乐作品的通知. (2015). Retrieved May 4, 2019, from <http://www.ncac.gov.cn/chinacopyright/contents/483/255725.html%0A>

Document 6: Chengdu Municipal People's Government's opinions on Supporting the Development of The Music Industry (Translated by the author) The original title is: 成都市人民政府关于支持音乐产业发展的意见. (2016). Retrieved May 4, 2019, from <http://gk.chengdu.gov.cn/govInfoPub/detail.action?id=83351&tn=6%0A>

Document 7: *Report of Development of China's Music Industry (translated by the author) The original title: 2018 中国音乐产业发展总报告.* (2018). Retrieved from <https://user.guancha.cn/main/content?id=65358&s=fwtjgzww>

Document 8: *The Report of the Current Situation of Independent Musicians in China (Translated by the author) The original title: 中国独立音乐人生存现状报告.* (2016). Retrieved from [https://m.jiemian.com/article/994511.html?open\\_source=weibo\\_search](https://m.jiemian.com/article/994511.html?open_source=weibo_search)

Document 9: Introduction and Big Events of Modern Sky (About us | Modernsky). (n.d.). Retrieved May 4, 2019, from <https://www.modernsky.com/index.php/About/index/id/3.html>

Document 10: *Diagram of Modern Sky's relationship with its related companies and key personnel.* (n.d.). Retrieved from <https://www.tianyancha.com/%0A>

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## 9 Appendix

### 9.1 Interview Guide for Musician F

1. When did you join indie label and choose Modern Sky?
  - a) How did you find out about Modern Sky? (Friends, social mediate...)
  - b) Did the label approach you? – How? (Friends, social mediate...)
  - c) Why did you join an indie label?
  - d) Why did you choose Modern Sky?
  - e) What have changed after you join the label?
2. Where do you usually work?
  - a) At home or at the company?
  - b) Who do you interact with? (managers/other musicians...)
  - c) Which genre of musicians do you mostly interact with?
  - d) How do you interact with people at the company?
  - e) (How) does the location of company support you in your work?
3. Which other organizations, companies, musicians aside from Modern Sky do you work with?
  - a) How did you find out about them?
  - b) How do they support you in your work?
4. How do you promote your music?
  - a) Do you perform live?
  - b) How do online and live performance relate to each other?
  - c) Are there challenges?
5. Have you heard the report of indie musician's current situation published by NetEase Music?
  - a) Do you agree with it and does it describe your situation?
6. Policy
  - a) Do you think your working environment is changing by the new policies? (e.g. Copyright, music clusters?) Any examples?
  - b) Which kind of policy would support your innovation, inspiration, and development?
  - c) What, do you think, is the biggest problem of indie musicians and labels in China?
  - d) What, in your opinion, would be helpful to address that?

### 9.2 Interview Guide for Musician A

1. General Information
  - a) Are you also working at a music company apart from Modern Sky? (Which one?)

- b) Are you responsible for organizing music festivals (What are those music festivals?)
- 2. Cooperation with musicians
  - a) Though what ways (relationship network, etc.) do you seek for independent musicians?
  - b) How do you cooperate with independent brands/companies/musicians?
  - c) What kind of qualities of musicians makes you think that they are trustworthy?
- 3. Location
  - a) Are there any standards for the location of the festival?
  - b) Where (in which cities of China) do you/your company hold music festivals?
- 4. Policy
  - a) What do you think is the reason for the government's supporting music festivals?
  - b) China is now planning to build music industry clusters and music cities (e.g. Chengdu). How do you think it will influence music festivals and independent musicians?