

Anna Hjorth-Röntynen

Sell in Good Company

Social Capital as a Strategic Tool in
the Fine Art Auction Business



JYVÄSKYLÄ STUDIES IN HUMANITIES 202

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UNIVERSITY OF JYVÄSKYLÄ

JYVÄSKYLÄ 2013

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ABSTRACT

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Finnish Summary

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This research focuses on intangible capital in the tertiary art market. The main argument discussed in this study arose early in the history of social sciences and has been further elaborated in economics: In what ways does intangible capital make players' actions more productive and efficient? As stakeholder management and obtaining consignments are fundamental in fine art auction business, it offers an illuminating experimental field for this argument. Focusing on social capital theory and applying aspects of strategic management, this research study assesses how fine art experts benefit from social capital by increasing the probability of obtaining consignment agreements, concentrating on the concepts of competence, networks, social skills, trust, and reputation. The analysis in this mainly qualitative study is based on previous research and literature combined with participant observation and data obtained from interviews. In addition, material from eclectic sources such as articles and auction catalogues are utilized. The managerial implications of the results of this study suggest that social capital assists the auction houses and their experts in securing consignments when used as a strategic tool to develop expertise, customer relations, and value assessment. The results point to the strategic value of social capital in the fine art auction business and yield new micro-level potential to use social capital to acquire competitive advantage in knowledge-based expert organizations. The processes are illustrated in a study of the consignment service of Russian oil paintings in Finnish fine art auctions from 2000 to 2008.

Key words: Art market, auction, competence, intangible capital, networks, presale estimate, reputation, social capital, strategic tool, trust

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PREFACE

In this doctoral study, I wish to seek a better understanding of the nature of intangible capital by considering a number of issues that are currently emphasized in business strategies. To open new trails to the discourse, I use the tertiary art market as an experimental field. Thus, when reading this study, I wish that my personal background and involvement in this field are taken into consideration. My aim has been to use my experience of working in the auction business both as support and as a background that provide substance to ask the right questions.

I started working for the Finnish auction house Bukowskis in 2002, first as an assistant and later as specialist for foreign art, focusing on Russian art. During this time, I had the honor to work with Russian art expert Vladimir Petrov who since has advised me regarding the details concerning the Russified paintings, development of the Russian art market, and the challenges of art attribution.

My volition to further examine the features of art business in detail was facilitated in 2004, as I was granted the opportunity to join the *Formation of Trust and Reputation in Organisations* project. As a doctoral student joining this project, I was offered a chance to write my dissertation in Jyväskylä at the Department of History and Ethnology starting in 2006. For this, I express my gratitude to the Academy of Finland and to the SoCa-project. During this time, I had the best possible opportunity to become acquainted with talented colleagues such as Vilma Luoma-aho, who since has provided support in academic thinking.

Doctoral dissertation is considered a demonstration of academic scholarship. Thus, the role of outstanding supervisors has been more than essential for this project. I would like to thank my main supervisor, Professor Heikki Hanka, for his support and advice during this enduring project and especially to express my joy and gratitude for his lasting interest and belief in my research topic. Since 2004, Professor Jari Ojala has provided his knowledge, networks, and advice for my work, without which the process could never have been concluded. Thank you, Jari! I would also like to present my warmest gratitude to Professor Ilkka Nummela, who has given his valuable time to read my drafts and offer beneficial comments on them. Additionally, I am grateful for the constructive critique and valuable comments regarding the manuscript from Docent Annukka Jyrämä and Professor Filip Vermeylen. Finally, Pekka Olsbo and Ville Korhokangas from the Jyväskylä University Publishing Unit have provided their expertise and patience in revising the literary outcome of this project for publication.

Along this project, I have received altruistic supervision and encouragement from my friends and colleagues. I am deeply indebted to Riitta and Tuomas Autere for their various proof readings and excellent commentaries and to Anna-Kaarina Lipsanen for her in-depth guidance in structure and graphics. Seppo Hornytzkyj has guided me into the fascinating world of materials research, for which I am thankful. My warmest gratitude is

also directed towards Nelli Smirnova. Her willingness to place her library and networks at my disposal was vital for this thesis.

As I have experienced, research gives the best results when conducted in its own time. After the Academy of Finland project funding, my devotion to this study was facilitated by the Emil Aaltonen Foundation. The completion of this process was promoted by the Faculty of Humanities at the University of Jyväskylä. In addition to funding, dedicating oneself to the writing process requires time and energy to be cut down from both social and family life. Hence, I want to offer my deepest gratitude to my family in Tampere who were always there for me, whatever the time and situation. Finally, thank you Petteri for your endless love, support, and encouragement that even distance could not fade, and Arno - thank you just for your existence.

Helsinki, April 2013

Anna Hjorth-Röntynen

FIGURES

FIGURE 1	The suggested managerial framework in the present study with auction house as its core.	33
FIGURE 2	The components understood to constitute social capital in the present study.	35
FIGURE 3	Total sales and average lot values of Russian oil paintings in Bukowskis' and Hagelstam's auctions 2000-2008.	68
FIGURE 4	Catalogue illustration for the painting <i>Forest Trail</i> by Ivan Shishkin. Source: Bukowskis auction catalogue 128, 113. Photo: Anna Hjorth-Röntynen.	71
FIGURE 5	Catalogue illustration for the painting <i>European Squadron East of Crete in the Mediterranean</i> by Ivan Aivazovsky. Source: Uppsala Auktionskammare auction catalogue 4.6.2006, 41. Photo: Anna Hjorth-Röntynen.	71
FIGURE 6	The painting by Marinus Koekkoek before Russification and after, signed as if by Shishkin. Source: Leigh and Borisova in <i>The Guardian</i> 10.7.2004.	76
FIGURE 7	An example of a Russified replica. On the left is the painting by Ludwig Knaus from the collection of the State Hermitage Museum, and on the right is the Russified version of a replica of the aforementioned painting, attributed to Stepan Alexandrovski. Source: Alexandrovski, Stepan: Gosse med penningpung. Bukowskis Web pages; Net kriminaly na antikvarnom rynke 2008, 17; Knaus, Ludwig: First Earnings. State Hermitage Museum Web pages. Photos: Unknown, Anna Hjorth-Röntynen, and unknown.	78
FIGURE 8	The paintings by Viggo Fauerholdt and Abraham Hulk illustrated in auction catalogues together with the later images of the Russified versions of the paintings attributed to Lev Lagorio and presented in the publication on Lagorio's work. Source: Vilkov 2012 [MD].	80
FIGURE 9	Examples of information on artworks attributed to Aleksandr Rodtsenko and Kazimir Malevich presented in the exhibition catalogue. Source: Harni et al. 2009, 88-89, 12-13. Photo: Anna Hjorth-Röntynen.	82
FIGURE 10	Baroness Dorthy Aminoff, the first woman in Finnish art business. Source: Tervo in <i>Glorian Antiikki</i> 2003. Photo: Yrjö Tuunanen.	87
FIGURE 11	The phrase "sell in good company" applied in marketing. Sources: Shannon Fine Arts' published advertisement in <i>AA</i> 2009; Bukowskis published advertisement in <i>HS</i> 2006; and Uppsala Auktionskammare's published advertisement in <i>HS</i> 2006. Photos: Anna Hjorth-Röntynen.	91

FIGURE 12	Customer-centered integrated marketing communication during the consignment process based on Catani 2008, 18-19.....	93
FIGURE 13	Head of material research laboratory Seppo Hornytzkyj demonstrates the prospects of using portable XRF-spectrometer in art attribution. Photos: Anna Hjorth-Röntynen.....	97
FIGURE 14	Art expert Vladimir Petrov studies a painting attributed to Alexandr Morosov (1835-1905). Photo: Reproduced with permission from Matias Uusikylä. Photo: Matias Uusikylä.....	99
FIGURE 15	The increase in estimate prices in Bukowskis' and Hagelstam's auctions 2000-2008	114

TABLES

TABLE 1	Structure of the study.....	15
TABLE 2	Examples of previous studies and results on the sociology of art and of the art market.....	20
TABLE 3	Examples of previous studies and results regarding the role of presale estimates in the field of art economics based on Ashenfelter and Graddy 2003, 779-780, and Sproule and Valsan 2006.	23
TABLE 4	Art investors divided into groups according to their optimal level of ensuring gain on resale value and risk tolerance, according to Grampp 1989.	53
TABLE 5	Consignments and sales of Russian oil paintings in Bukowskis' and Hagelstam's auctions 2000-2008.....	69
TABLE 6	Phrases used to describe the Russian art market.....	72
TABLE 7	Factors considered to impact the consignor's choice of an auction house.....	90
TABLE 8	Aspects considered relevant when signing a consignment contract.....	110

CONTENTS

ABSTRACT
PREFACE
FIGURES AND TABLES
CONTENTS

1	INTRODUCTION	11
1.1	Rationale of the study	11
1.2	Structure of the study	15
1.3	Literature and previous research on the art market	16
1.3.1	Considerations regarding multidisciplinary	16
1.3.2	Sociology of the art market	17
1.3.3	Economics of art	21
1.4	Intangible capital	25
1.4.1	Intangible assets.....	25
1.4.2	Firm-specific human capital	25
1.4.3	Social capital.....	26
1.4.4	Trust and reputation.....	28
1.4.5	Networks	31
1.4.6	Organizational know-how	32
1.4.7	Marketing and advertizing	34
1.4.8	Social capital and strategic management of knowledge.....	35
1.5	Methodological approach and data.....	37
1.5.1	Outlines of methodological decisions	37
1.5.2	Observation and interview	37
1.5.3	Auction catalogues, price guides, and articles.....	40
2	EXPLORING THE ART MARKETS	43
2.1	Art market rules	43
2.2	Objects of trade.....	46
2.2.1	Aesthetic experience and its value in the trade	47
2.2.2	Social attributes of the objects traded in the art market	50
2.2.3	Attributes of art as a vehicle for investment	53
2.3	Management of art appraisals.....	55
2.3.1	Background	55
2.3.2	Art market experts and the role of intangible capital in art appraisals.....	57
2.3.3	Uncertainty and legitimacy in the art market	59
2.3.4	Tools used in art appraisals	61
2.4	Theoretical considerations of the art market.....	63

3	TERTIARY MARKETS FOR RUSSIAN ART – THE FRAMEWORK FOR MANAGING SOCIAL CAPITAL.....	65
3.1	Characteristics of the tertiary art markets	65
3.2	Art markets in Finland and Russia.....	67
3.3	The case of Russified paintings.....	75
3.3.1	Illegal markets.....	75
3.3.2	Catalogues of fraudulent art.....	76
3.3.3	A comparative case from the public sector of the Finnish art market	82
3.3.4	Governmental action on fraudulent works of art in the Finnish art market.....	84
3.4	Possibilities and challenges in the tertiary market for Russian art....	85
4	THE ROLE OF INTANGIBLE CAPITAL IN THE CONSIGNMENT SERVICE OF RUSSIAN ART.....	87
4.1	Sell in good company	87
4.2	Consignor encountering.....	89
4.3	Marketing, advertizing, and quality service	91
4.4	Structure of the presale estimation service.....	94
4.4.1	Attribution and reference.....	95
4.4.2	Expert network for Russian art	100
4.4.3	Visions.....	104
4.5	Obtaining consignment agreements.....	109
4.6	Realization of estimates in ultimate sale prices	113
4.7	Managerial implications of social capital as a strategic tool in the consignment process of Russian art.....	115
5	CONCLUSION	117
5.1	Summary	117
5.2	Limitations and future directions	122
	YHTEENVETO.....	125
	REFERENCES.....	130
	APPENDICES.....	150
	Appendix 1.....	150
	Appendix 2.....	151

1 INTRODUCTION

1.1 Rationale of the study

The role of intangible capital has been currently underlined as a result of intensified global competition. In addition, the development in information and communication technologies has contributed to the perception of intangible capital as a new source of growth.¹ In business strategies, the growing role of intangible capital has been emphasized in the considerations of innovation, flexibility, and quality service, the ability of an organization to meet or exceed the desires and wants of its customers.² As components of the contemporary economy, art markets face the benefits and disadvantages of these developments in the information society.

Art markets can be divided into three trading categories according to the objects traded, namely primary, secondary, and tertiary. Of these, the tertiary art market is best described as retail market for art, where works of fine art previously owned by collectors, dealers, and museums are traded.³ The places for exchange in this market are art galleries and auction houses.⁴ Of these two marketplaces in the tertiary art market, fine art auction houses are chosen as a subject of study. This is because selling art through auctions in various institutional settings is considered a leading cultural business in contemporary economies.⁵

Auction houses can be described as retail, full-service, and global operations that handle high-quality objects and publish catalogues written by their own experts.⁶ A transition can be observed in the auction practices, as the role of the auction audience seems to diminish gradually simultaneously with the importance of the auction as a social event. For example, the increased use

¹ A new OECD project. New sources of growth: intangible assets 2011.

² Luoma-aho 2005b, 393; Gilmore 2003, 23; Helakorpi 2005, 11; Ruuskanen 2003, 57.

³ Singer and Lynch 1994, 199.

⁴ Robertson 2005, 18-20.

⁵ Barros 2002, 99.

⁶ Koeningsberg 1989, 25.

of written bids and the practice of attending auctions by telephone bidding have left more seats empty in auction rooms.⁷ Alongside the changes accelerated by the development of auction technology, considerations on whether it is possible to operate auctions without an audience have obtained more attention.⁸ This notion has been emphasized by the allowance of auction houses to conduct private sales between buyers and sellers thus making the line between the actions of private dealers and auction houses more obscure in the international art market.⁹ Overall, the transitions taking place in auction practices draw further attention to the level of social interactions. In other words, attraction is drawn to the social relationships between the auction house and its customers.¹⁰

The tertiary art market serves as an excellent framework within which to investigate questions on social interaction, as the practices conducted in this business branch are, to a great extent, unfamiliar to the public. In the wide range of literature on fine art auction business, emphasis is mainly laid on price formation and auction practices.¹¹ To fill this gap, the focus of the present study is on the social interaction that occurs during the building of the foundations for the auction that is during the consignment process.

As an exception to the neoclassical model, in the tertiary art market the supply of the firm depends not only on goods and services demanded by consumers but also on the firm's ability to reach potential customers in possession of these goods.¹² In other words, obtaining consignment agreements is fundamental in the auction business, because auction houses live on sellers' commissions and buyers' premiums.¹³ Writing on global players in local markets, Thomas Heskia argues that "the supply with attractive lots is perhaps the most critical factor of success in the art auction business".¹⁴ Accordingly, this study focuses on the ways such supply can be obtained.

To build a successful auction, the auction house experts have to be able to obtain consignment agreements with customers in possession of attractive lots. Before the consignment agreement is signed, auction house experts develop an inviting presale estimate for the potential consignor whereas the potential consignor wishes to receive a sufficient presale estimate and the best possible conditions of sale delivered through high-quality service. In this study, high-

⁷ In an interview by Pirkko Santajärvi in 2004, Paul Hörhammer stated that over a third of lots are sold to bidders attending auctions by written or telephone bids. Santajärvi *HS* 11.12.2004.

⁸ Chairman of the board Wenzel Hagelstam interviewed by the author 13.11.2006.

⁹ In France, the law was proposed by the senate in 2009. France, thus, follows England and other European countries that already allow auction houses to handle private sales. *After Heavy Lobbying from Sotheby's and Christie's, France Passes Law Allowing Auction Houses to Conduct Private Sales*, 2007.

¹⁰ Nahapiet and Ghoshal 1998.

¹¹ Ashenfelter 2003, 34.

¹² Scott Morton and Podolny 2002, 431.

¹³ If an object remains unsold, the auctioneer will receive neither commission. To compensate for the costs, the auctioneer usually charges the seller a fee for unsold lots. Ashenfelter 2003, 35.

¹⁴ Heskia 2002, 229.

quality service is understood as the ability of an auction house to meet or exceed the desires and wants of its customers.¹⁵

The essentiality of social interactions is based on the notion that, every time players interact, they all have intentions they wish to achieve.¹⁶ Consequently, the present discourse draws on an argument discussed early in the history of social sciences and further elaborated in economics: In what ways does intangible capital make players' actions more productive and efficient?¹⁷ The hypothesis in the present research is that experts benefit from intangible capital in the probability of obtaining consignment agreements in auction business. The hypothesis is strengthened by the indications of the recognition of the role of intangible capital in art business among the players in this market. This can be perceived through marketing strategies of the companies as well as through publicly announced opinions of recognized art market experts. To define the actual impacts of intangible capital on securing business in the tertiary art market the first research question in the present study reads:

How do art experts benefit from intangible capital in the process of obtaining consignments in the fine art auction business?

To make the arguments more apparent, the consignment process and the role of intangible capital in it are made transparent through describing and analyzing the process. In doing so, my aim is to demonstrate how the experts in practice arrive at the goal of consignment agreement. Moreover, the description and analysis of the process offer a straightforward means to approach the service production conditions and aspects of intangible capital in this field.¹⁸ Furthermore, the chosen approach enables the discussion of the managerial implications of the subject.

What should not be overlooked is the fact that the consignment process is outlined with the signing of the contract. To define the actual role played by intangible capital in the success of a consignment process, the aspects of the enforcing of a contract are discussed. This draws to the hypothesis that the presence of legal enforcing might diminish the role of intangible capital. The notions regarding the role of intangible capital and on the prevalence of informal and formal contracting in the process form a basis for the second research question of the present study:

Can the influence of intangible capital on the probability of obtaining consignment agreements be replaced with other factors?

In the art world, the questions concerning intangible capital have been drawing more attention, particularly in the tertiary market for Russian art, due to the increasing prices, competition for market share, and the challenging problem of

¹⁵ Beggs and Graddy 2009, 1028.

¹⁶ Becker and Murphy 2000, 5.

¹⁷ Flap 2004, 17. See also Bourdieu 1984; Coleman 1988; Fukuyama 1995; Nahapiet and Ghoshal 1998; and Putnam 1995.

¹⁸ Throsby 2006, 11.

paintings with uncertain authenticity entering the market.¹⁹ In this study, authentic is understood not only as real but also as genuine, honest, and true as suggested by Michele Trimarchi and Cristina Da Milano in their article on perception and evaluation in archeological auctions.²⁰ The notion of the limited number of authentic works of art supplied to this market has motivated players to gain profit through fraudulent practices. Accordingly, a wave of art thefts and new forms of deception can be observed in the market for Russian art.²¹ These aspects draw the focus of attraction to discussion of the requirements of competence in this area. In the light of this practical evidence, the micro-level focus of the present study concentrates on the consignment of Russian art.

While the term art Russian art market is often associated with the high-end markets of New York, Paris, and London, following Stuart Plattner, the goal of the present study to draw attention to the local markets. This makes it possible to focus on the social interaction between the auction house and its stakeholders in greater detail.²² The fact that the Finnish art market, and especially the niche market for Russian art, is rather modest in size and generated revenue, offers a possibility of in depth analysis of the market and social interaction among the players in this market. Chronologically, the focus is on the contemporary Finnish market of Russian art from 2000 to 2008. The time period corresponds with the boom period in the Finnish Russian art market: The Russians, the largest buyer group for Russia paintings, started collecting in around 2000. By 2007 the sales in this market had exploded and by the following year the impact of the global economic crisis is considered to be evident in the art market.²³

An additional benefit of this framing is that there can be found a comparative study by Katarina Balakina that focuses on the tertiary Russian art market in England from 1998 to 2008. Balakina's focus is to a greater degree on the demand side of the market offering thus a complementary aspect for the present study.²⁴ Further, as I use interview as a method for data gathering, this time period is considered to be adequate time span for the informants to be able to remember the actions in the market.²⁵ Moreover, it equals by and large to my active period in art business and thus enables me to make the most of my immediacy in the analysis of the research material.

Consequently, the focus is on the presale estimation process and the consignment of Russian oil paintings, the most popular category at the Russian sales.²⁶ The paintings dating from the 19th century to the first decades of the 20th century represent a majority of the paintings sold in this market during the

¹⁹ Markina et al. in *Kommersant* 15.7.2004; Leigh and Borisova in *The Guardian* 10.7.2004; Laitinen-Laiho 2004, 77-80.

²⁰ Trimarchi and Da Milano 2002, 199.

²¹ Vilkov 2012, 112.

²² Plattner 1998, 482.

²³ Adam in *The Art Newspaper* 19 November 2012.

²⁴ Balakina 2008.

²⁵ Schwarz notes that ones the respondents have determined the intended meaning of the question they recall the relevant information from memory. Schwarz 1999, 97.

²⁶ Balakina 2008, 32.

period under study. The paintings published in the Finnish auction catalogues by Bukowskis and Hagelstam Auctions are used in the quantitative analysis of the development of the market. The notion that auction houses have a strong and established position in this particular market offers grounds for leaving in depth discussion of the galleries and dealers dealing in Russian art for future research.²⁷

1.2 Structure of the study

The present study consists of four major parts: the introduction, three discussion chapters, and the conclusion. Table 1 demonstrates the overall structure of this study. The structure is constructed so that it moves from abstract to concrete: from the macro level and theoretical considerations through meso-level practical considerations to the micro-history level, revealing the managerial implications of this study.²⁸

TABLE 1 Structure of the study.

Focus of the chapter	Research level	Main sources
Art Market	Macro	Literature
Markets for Russian Art	Meso	Literature, articles, and catalogues
Intangibles in Auction Business	Micro	Literature, oral history, and observation

In view of that, the goal of the introduction is to state the research questions and to tie the present study to the societal frame of reference and current interests. It also discusses concepts relevant to the précis of the study in the third discussion chapter. Definitions of the components of intangible capital are discussed in addition to the methodological approaches and data used in the present study.

The remainder of this study is structured as follows: In the first discussion chapter, I will introduce the theoretical aspects of the art market and discuss the context in which the interaction takes place, emphasizing the problematic role of the artwork as a commodity: my assignment is to present an overview of the structure of the art market, the widely studied context for the social interaction discussed in the present study. As the art market consists of individuals and social interaction, I begin by illustrating the players' action in the art market and the rules that regulate it. I continue by analyzing the expectations of the response to the actions in the art market such as conspicuous consumption.

²⁷ Director and curator Anders Bengtsson interviewed by the author 28.2.2006; Antique dealer Bernt Morelius interviewed by the author 8.5.2006.

²⁸ Following Keith Negus, the macro perspective can be described as stressing social and organizational structures in addition to economic relationships. The micro perspective, in contrast, focuses on everyday human agency and the making of cultural meanings. Moreover, it emphasizes human autonomy and the active ability to engage in creative activities. Negus 1997, 69.

Finally, the characters of the goods traded in this market should be taken into consideration. Namely, what differentiates art objects from other goods in other markets, and what should be taken into consideration when these goods are appraised? In the second discussion chapter, I move further toward the concrete and survey the practical aspects of the art market, focusing on the market for Russian paintings. I also draw on examples of the quantitative aspects of the art market, discussing the supply of paintings in the market for Russian art together with price information on these consigned lots. Finally, the third discussion chapter reaches the concrete level as it integrates the theoretical considerations presented both with the data obtained through interviews and with observational data in the framework built in the second chapter. It concentrates on the managerial implication of intangible capital for the tertiary market for Russian art in Finland. The conclusion sums up the findings of the study, presents a critique, and discusses the need for future research.

Following the structure of the study as described, I will partly overlook the aims of objectivity and impersonality that usually exist in academic writing to a great degree.²⁹ I hope the fact that the reader meets the writer in first person throughout the study directs the reading experience toward a personal rather than a non-academic one.

1.3 Literature and previous research on the art market

1.3.1 Considerations regarding multidisciplinary

In the art market, individual and social in addition to local and global relationship are in continuous transition. Thus, no single theory is considered to provide a complete guide to this framework.³⁰ Accordingly, in the following, literature and previous research used in the present study are discussed from a multidisciplinary point of view. In the present context, multidisciplinary is understood as an embracing character of the study. As defined by Heikki Mikkeli and Jussi Pakkasvirta, in multidisciplinary research, the question studied is approached through various aspects presenting different disciplines and methods. During the research process, the disciplines do not necessarily conduct a dialog between each other. Instead, the partial studies are generally connected in the closing report.³¹ In this study, the third discussion chapter is considered to constitute for the closing report.

In view of that, relationships in the art market are governed by cultural, sociological, commercial, and aesthetic considerations.³² In this study, the discussions have been divided roughly under the subheadings of sociology, economics, and art history. Nevertheless, even though the concept of intangible

²⁹ Suleiman 1994, 1-4.

³⁰ Briggs and Burke 2002, 15.

³¹ Mikkeli and Pakkasvirta 2007, 63-64.

³² Heilbrun and Gray 1993, 3.

capital falls into the research interest area of these disciplines, it is discussed under a separate subheading later in this chapter. This is done to emphasize the fundamental role of the intangibles in the context of the present study.

1.3.2 Sociology of the art market

Since the 1970s, art historians have been increasingly concerned about the social context of producing and using of works of art.³³ This sociological point of view of art was introduced in the seminal texts by Howard Becker and Pierre Bourdieu.³⁴ They both can be described as analyzing the social construction of aesthetic ideas and values.³⁵ Of these, Becker's *Art Worlds* can be considered a foundational text for the present study. According to Becker, understanding the existence of art worlds and the effects they have on the consumption of art works calls for such sociological approach to the arts. Thus, the sociology of art poses the question: in what ways do social relations and institutions impact the creation, distribution, and appreciation of art works?³⁶ An important change that has taken place in this field in tandem Becker's text is that sociologists of art have come to see themselves as unmasking the assumptions, values, and ideologies implicit in art world practices.³⁷ The importance of this research strand to modern society was noted by David Inglis and John Hughson, who stated that examining the social contexts in which art is managed and engaged with by certain people gives us a view on how art functions in a society and its implications for how we live.³⁸

If, in the sociology of art, the central objects of analysis are the artist and artwork, then the approach used in the present study could be referred to as the sociology of the art markets. This is based on the notion that the objects of analysis in this study are commercial art establishments, fine art auction houses. The use of sources from social science in the present study can be further justified by quoting Becker, who stated that social science is capable of offering a deeper understanding of phenomena and aspects that many already may be aware of. The world of the art business and auctions is familiar to many from the media, but the forces that steer its actions and the factual processes and practices inside it are seldom transparent or something that one is conscious of. Moreover, Becker's view of convention as a connecting concept between humanism and sociology introduced in *Art Worlds* can be seen as applicable to the present field of study. In the art business, players act according to the rules of the field but using their own tactics to reach a common goal – a convention of the terms of signing a consignment agreement for a work of art.³⁹

³³ Ormrod 1999, 544.

³⁴ Becker 1982; Bourdieu 1984.

³⁵ Zolberg 1990, 4.

³⁶ Inglis 2005, 19.

³⁷ Fuente de la 2007, 410–411.

³⁸ Inglis and Hughson 2005, 1.

³⁹ Becker 1982, x-xi, 1.

In *Constructing a Sociology of the Arts*, Vera L. Zolberg discussed the context within which sociology has developed in addition to the diverse approaches created by and available to scholars, including both humanistic and social scientific outlooks in addition to methods on the relations of art and music and its performance to different kinds of societies. Zolberg also explored the collective and historical processes of creating artworks. Stimulating in this discussion are the aspects of the recreation of artworks at different times for new social purposes as such processes are taking place, to some extent, in the tertiary market for fine art. The most relevant aspect, from the point of view of the present study, is Zolberg's discussion of the interrelation of art and its public; she sees the audience as a social construction. According to Zolberg, the relationship of the audiences to the arts is not pleasure-seeking but a complex social process. Most importantly, this process includes "the development of different ways of receiving and using symbolic culture with consequences for social reproduction of status groups", as stated by Zolberg.⁴⁰

Overall, as Zolberg's goal was to suggest ways by which the approaches of sociologists, art professionals, or humanists may be brought contently together, her work functions as a valuable guide for a discussion of the aspects of art, the art market, and sociology in the present study. Zolberg further offered a well-appointed critique that should be regarded also in the course of the present study. That is to say, she called attention to the danger of forgetting to place arts at the center of analysis.⁴¹

Today, a considerable amount of research is available on art markets from this sociological point of view, increasingly conducted by scholars with other than an American point of view on the matter.⁴² To gain a holistic view of the relevant sources for the present study, they are presented in Table 2. Of these, French sociologist Raymonde Moulin's study on the French art market for contemporary art in the 1950s and 1960s provided the primary guidelines for the present study, as it demonstrates the practicability and functionality of observation as a method in art market study. In her study, Moulin stated that the mechanism of price formation is not transparent, as deals are made in secret and hidden influences affect prices. Even though there was an urge, in some instances, to demystify the market, players were not willing to divulge what they knew. Most of Moulin's information was derived from observation of anonymous participants.⁴³

The French art market has, alongside the Finnish, Swedish, and British markets, been further studied by Annukka Jyrämä. In her studies, Jyrämä has concentrated on the structure of the art market and discussed the practices used by galleries within the contemporary art market and their relation to market characteristics. In addition, she has identified the key barriers to entry into the art market and their relation to key competencies and the conventions within the contemporary art market. Her findings show that the practices used by

⁴⁰ Zolberg 1990, 27.

⁴¹ Zolberg 1990, 26–27, 121.

⁴² Frey and Pommerehne 1989, 3; Heilbrun and Gray 1993, 7.

⁴³ Moulin 1987, 3.

galleries are strikingly similar in different markets. The most important competences of a gallery owner were identified as business expertise, art expertise, and relationship skills.⁴⁴ Thus, Jyrämä's notice of the importance of expertise and relational skills encouraged the formulation of the present research question and offer an interesting contact point between the research on the primary and tertiary art markets. Moreover, Jyrämä has, together with Uusitalo, noted in a paper on economic trends and changes in the art market that the way in which professional art dealers trade with art reveals their acquired cultural competence. This fact, among others, is considered when discussing the consignment process of Russian art in Finland – does it require cultural competence, or is cultural competence replaceable with social resources?⁴⁵

In her study on the status dynamics in the market for contemporary art, Tamar Yogev explores, why certain products are considered to be more valuable than others. The results of her study indicate that actors can affect the social definition of what are perceived as high-quality products only through status actions. Yogev's findings include reasoning for better understanding of status in uncertain market, her study together with the text by Jens Beckert offers a good ground for discussion of the aspects on uncertainty, legitimacy, and status in the present study.⁴⁶

The market for contemporary art is further explored in *Understanding International Art Markets and Management*, edited by Iain Robertson. The authors of this publication offered a well-structured and a modern view on the action in this sector of the art market.⁴⁷ In addition, in the strand of studies on the contemporary art market, cultural anthropologist Stuart Plattner concentrated on local markets for contemporary art, giving fruitful views on the legitimacy of art and on explaining the price of art works.⁴⁸

In *A Most Ingenious Paradox: The Market for Contemporary Fine Art*, Plattner stated that, when setting his vision for the potential price paid for an object at auction, the auctioneer should consider the legitimacy of art. Accordingly, in the context of this study, the legitimacy of a painting equals its status in market. These two concepts will be discussed in more detail in the chapter on the definitions for the components of intangible capital.

In recent studies on action in the art field, power, the elite, and social capital in the field of art have been discussed mostly using Bourdieu's texts as methodological grounds. Kristina Linnovaara examined in her dissertation the power mechanisms and institutional power hierarchies of the 1940s–1950s arts elite in Helsinki. In her study, Linnovaara emphasized the role of symbolic capital in legitimizing power positions when social capital is not enough. As an example of this, the legitimacy of an artist was referred to but it was further stated that no position in the art field improve only through social capital

⁴⁴ Jyrämä 1999.

⁴⁵ Uusitalo and Jyrämä 2008, 62.

⁴⁶ Yogev 2010; Beckert 2009.

⁴⁷ Robertson 2005.

⁴⁸ Plattner 1998.

without reference to the symbolic capital. Linnovaara further pointed out that the difference between the theory of fields and the theory of networks is significant: a network merely describes the amount of the relations of formal positions, while a field is the construction of a system.⁴⁹

TABLE 2 Examples of previous studies and results on the sociology of art and of the art market.

Author	Studies and Results
Yogev (2010)	Actors can affect the social definition of high quality products only through exchange relations and active participation in the marketplace.
Hjelm (2009)	Action in the field of art is constructed by the interaction of the agents in the field.
Linnovaara (2008)	Symbolic capital is used in the field of art to legitimize power positions when social capital is not enough.
Jyrämä (1999)	In the art market, the relations between actors are based on trust and friendship.
Plattner (1998)	The legitimacy of art has an impact on the appreciation of art and both the current value and resale value.
Zolberg (1990)	The sociology of art cannot be insulated from art and the art world.
Moulin (1987)	The mechanism of price formation in the art market is opaque.
Becker (1984)	The creation, distribution, and appreciation of art works is impacted by social relations and institutions.
Bourdieu (1984)	Obtaining a reputation for being competent and respectable accumulates symbolic capital.
Veblen (1899)	Economic standards of valuation are influenced by extra-economic standards of value.

Camilla Hjelm examined the role played by Swedish-speaking Finnish art dealer Gösta Stenman and his art gallery in the Finnish and Swedish art worlds from 1911 to 1947. In her study, Hjelm, like Linnovaara, employed Bourdieu's sociological theories as an analytical framework for an art-sociological approach. As Hjelm stated in her study, she was inspired by Martin Gustavsson's work focusing on fields and agents on the field of art. In his study, Gustavsson aimed to shed light on the different angles of the Swedish art market from 1920–1960.⁵⁰ As the present study is concerned with the relations of players related to the tertiary art market, where positions are acquired according to policies related to market mechanisms, the use of network theory alongside the dominant theory of fields seems justified. The role of Hjelm's study for the present study is comparable to that of Linnovaara's; it opened up the cultural and social background on which the auction houses in Helsinki are built and offered exhaustive insight into the players' actions and motives in the art market.

⁴⁹ Linnovaara 2008, 24–25.

⁵⁰ Hjelm 2009, 18; Gustavsson 2002.

To gain a holistic view of the conceptions of art as an object of trade and the process of art appreciation, the aspects addressed by the 19th-century sociologist Thorstein B. Veblen in his book *The Theory of the Leisure Class* are essential and will be discussed further in the second discussion chapter. This is done to complement the definition of the social attributes of art in the art market. Referring to Veblen, economic standards of valuation in general are influenced by extra-economic standards of value.⁵¹ Sulevi Riukulehto further refined Veblen's theory. In his dissertation Riukulehto discussed the concepts of luxury and waste in American radicalism.⁵² Accordingly, the context and such extra-economic standards of the presale estimate process and the concept of art as luxury will be explored using both Veblen's and Riukulehto's texts as guidelines.

1.3.3 Economics of art

In addition to sociological views on the art market, there has been substantial growth in the literature on the applications of economic theory and analysis on art discussing the consumption and the value of art. In the context of the present study, such sources are required to discuss and analyze the presale estimation process. The origins of this field of study can be dated to 1966, when William J. Baumol and William G. Bowen published *Performing Arts: The Economic Dilemma*.⁵³ The notion emphasized in the literature of this strand is the requirement that art should be treated like any other commodity in the context of economics. However, this aspect has not been approved by general consent, and, for example, Becker suggested a sociological economical network approach instead.⁵⁴ This dilemma of the role of an artwork in the market and the possible approaches to it will be discussed in the following chapter on the art market.

As for the discussion of the consumption of art, an interesting subfield contributing to the economics of art is offered by studies on art investments. Among others, Pauliina Laitinen-Laiho has studied this aspect of the art market, in addition to her study on the structure of the Finnish art market during the 1980s and 1990s. In her study, she focuses on the period that includes the fast development of the Finnish art market, the exponential growth in art sales, and explosion like growth in art prices.⁵⁵ Consequently, the period under study in the present study saw the emergence of these characters in the market for Russian art in Finland. Bruno S. Frey and Werner W. Pommerehne concentrated in *Muses and Markets: Explorations in the Economics of the Arts* on the economics in artistic life including the determinant of the aesthetic evaluation of contemporary works of art and on the prices paid for them, the profitability of investments in art, and trade barriers.⁵⁶

⁵¹ Veblen 1899, 294.

⁵² Riukulehto 1998.

⁵³ Baumol and Bowen 2001 [1966]; Heilbrun and Gray 1993, 6.

⁵⁴ Becker 1982, 1.

⁵⁵ Laitinen-Laiho 2001, 2; Laitinen-Laiho 2011.

⁵⁶ Frey and Pommerehne 1989, 1, 79.

Art investments require access to price indices. As for the literature and previous research concerning art appreciation and the process of presale estimation, today, several studies on the return of paintings conducted by economists can be found, in addition to those conducted by scholars in the economy of art history such as Gerard Reitlinger.⁵⁷ Alongside the geometrical price index, the two most common methods for constructing art indices are repeat-sales regressions and the hedonic method, often used as speculative tools in art investment. These methods will be discussed in the following section, as they offer potential instruments to experts conducting presale estimations in the tertiary art market. The goal of the discussion is to provide an overview of the formula of the methods as well as on the capacity of the methods in the context of the presale estimation process in the tertiary art market for Russian art.

The repeat sales regression method considers primarily works of art that have been sold at least twice within a certain period. David Galenson, Professor of Economics at the University of Chicago and an economic historian, has worked on repeat sales regression when explaining artistic creativity,⁵⁸ the life cycles of Impressionist and modern French and American painters, and the relative value of the world's great paintings. His main research question reads: How, and why, does the quality of artists' work vary with age? Regarding old masters and young geniuses, the two life cycles of artistic creativity, he analyzed a group of visual artists he called "the great artists" by looking at the value of their paintings by using a regression analysis that uses the prices that the paintings have reached at auction.⁵⁹ One advantage of this analysis is that one avoids specifying the various quality characteristics of the objects. However, this is done at the cost of ignoring the information about single transactions.⁶⁰ Accordingly, repeat sales regression is not the most informative analysis when discussing Russian art, as there are many cases in which the name of a Russian artist has appeared in the Finnish market only once. Hence, repeat sales regression is mentioned in this study only as a comparative method.

The process of calculating the hedonic price index, the second method discussed in the present study, starts with choosing a reputable sample of goods or services. The price of this sample of chosen goods, or a basket of commodities, is then followed in time, and the final price is compared with the previous prices that were measured during the basic period of the index. For this, the basket of commodities should be representative in correlation with what is being observed and of constant quality. Hedonic models have been used, for example, in the United States for the consumer price index for the quality standardization of clothes. Moreover, in France, hedonic models have been used, for example, in the quality standardization of books and washing machines. In Finland, hedonic regression models have been used in the

⁵⁷ Reitlinger 1961, 1963, 1970.

⁵⁸ Galenson 2005, 1.

⁵⁹ Galenson 2005; Leonhardt 2006.

⁶⁰ Gérard-Varet 1995, 509-518.

compilation of statistics on housing.⁶¹ Furthermore, the use of the hedonic method on intangible goods is demonstrated by, among others, Sébastien Lecocq and Michael Visser. In their study on wine, Lecocq and Visser reported the estimation results of hedonic price functions where wine prices are regressed on a set of characteristics to determine which characteristics have a significant effect.⁶² Their study offered a valid reference to estimating art as an experience good, a good whose true quality is revealed first after consumption, discussed further in connection with the explorations of the art market.⁶³

TABLE 3 Examples of previous studies and results regarding the role of presale estimates in the field of art economics based on Ashenfelter and Graddy 2003, 779-780, and Sproule and Valsan 2006.

Author	Studies and Results
Sproule & Valsan (2006)	Pre-auction estimates have the same predictive power as hedonic models.
Lecocq & Visser (2006)	The estimation results of hedonic price functions where wine prices are regressed on a set of characteristics to determine which characteristics have a significant effect.
Galenson (2006)	Great artists can be analyzed by looking at the value of their paintings by using a regression analysis.
Mei & Moses (2005)	Auction houses overestimate expensive artworks to reap the maximum commissions and premiums.
Czujack & Martins (2004)	Pre-auction estimates represent good predictions of the subsequent hammer price.
Mei & Moses (2002)	Auctioneers strategically set estimates to increase realized prizes.
Ashenfelter et al. (2001)	Examines whether the spread between the high and low estimate is indication of the auctioneer's uncertainty or reflects the seller's wish to set a high reserve price.
D'Souza & Prentice (2001)	Pre-auction estimates are systematically below hammer prices.
Bauwens & Ginsburgh (2000)	Both Christie's and Sotheby's underestimated English silver coffeepots and teapots sold between 1976 and 1991.
Beggs & Graddy (1997)	There are systematic over- and undervaluations by experts.
Chanel et al. (1996)	Pre-auction estimates for jewelry auctions are systematically below hammer prices.
Mirowski (1990, 1999)	Value is a socially constructed phenomenon.
Ashenfelter (1989)	Auction houses are truthful, as experts' estimates are unbiased predictors of art prices.
Frey & Pommerehne (1989)	The possibilities to create and achieve artistic achievements are determined by historical, social, and political conditions.
Abowd & Ashenfelter (1988)	Auctioneers' price estimates are far better predictors of prices than hedonic models.
Milgrom & Weber (1982)	Honesty is the best policy.

⁶¹ Koskimäki 2002, 19.

⁶² Lecocq and Visser 2006, 44.

⁶³ Heilbrun and Grey 1993, 164.

Though it has been studied extensively, the price indices have not in all respects overcome the presale estimates performed by auctioneers, and the actual amount of information that such price indices provide has been discussed widely in the field of economics for art. For example, Orley Ashenfelter and Kathryn Graddy discussed the role of the auctioneer's estimates in light of the honesty of the auctioneer and the trustworthiness of the estimates.⁶⁴ They concluded in their study that the evidence regarding the role of estimates appears to be divided, as differences can be found in the intentions of the auctioneers. Correspondingly, some auctioneers simply try to truthfully predict the price of a painting, while some may, in some cases, be altering the estimate. Consequently, the auction house may be tempted to express a bias estimate. Higher estimates are assumed to induce higher bids and lower estimates are used to attract a higher number of active bidders. However, as stated by Milgrom and Weber, in the long run both practices are unprofitable for the auction house. Instead, truthful revelation of available information attracts more aggressive bidders and thus the expected value of bids increases.⁶⁵

Luc Bauwens and Victor Ginsburgh compared estimates on silver performed by the experts of Sotheby's and Christie's. The results of the study showed that the estimates of presale prices made by experts were significantly biased, especially if the presale estimate is taken as the midpoint between the high and low estimates. However, the bias was considered to be rather small. In addition, as considered by Bauwens and Ginsburgh, the experts may engage in partial information processing in which they anchor the latest achieved prices.⁶⁶ Accordingly, the experts do not make full use of the information in sales catalogues, although this would enhance the success of the predictions. The results of Bauwens and Ginsburgh, thus, imply that presale price estimations could be enhanced by using information provided by a hedonic function.⁶⁷ To demonstrate the tendencies in the previous economic studies on the subject on a greater scale, they are summarized in Table 3.

In light of the above, it seems appropriate that, in the third discussion chapter, the practices of conducting presale estimates are discussed without further emphasis on the role of repeat sales regression or a hedonic function in the process. This is because their strengths and weaknesses in the context of Russian art as discussed. Overall, it can be summarized that, despite the possibilities offered by these methods in the contest to the bias of presale evaluations, they are not relevant for the particular art market sector under study. Instead, following Hutter and Throsby, the authors of *Beyond Price. Value in culture, economics and the arts*, the focus of the present discussion is on the importance of intangible capital in the art world.⁶⁸ Finally, compressed to the

⁶⁴ Ashenfelter and Graddy 2003.

⁶⁵ Scorcu and Picci 2002, 112-113; Milgrom and Weber 1982.

⁶⁶ Ashenfelter and Graddy 2006, 933.

⁶⁷ Bauwens and Ginsburgh 2000, 143.

⁶⁸ Hutter and Throsby 2008.

level of micro-history⁶⁹ this study links the elements of strategy and entrepreneurship in art business thus sharing an interest in resource acquisition for the purpose of value creation with strategy and entrepreneurship researchers.⁷⁰

1.4 Intangible capital

1.4.1 Intangible assets

Capital is a resource used to produce returns in human economic activities. Returns can be allocated to entrepreneurs, individuals, or society as a whole. Changes in capital occur through investments and depreciation. Traditionally, capital has referred to fixed or material resources in addition to financial resources. However, recently the use of the concept has been expanded into many different areas, giving rise to several alternative concepts of capital.⁷¹ From among these, this study focuses on intangible capital, often referred to as knowledge assets or intellectual capital. Intangible assets are considered new sources of growth, because in many countries, investment in these assets has grown rapidly. This study classifies intangible assets as economic competencies characterized by the ability to generate firm-specific human capital, networks, and organizational know-how, as well as by aspects of marketing and advertising.⁷²

1.4.2 Firm-specific human capital

The tertiary art market is comprised of knowledge-intensive firms. Persons that work for these organizations and possess expertise are described in such terms as “professionals”,⁷³ “professional intellects”,⁷⁴ and “experts”.⁷⁵ This study uses the latter term. Art market experts build expertise through intangible capital such as competence, knowledge, skills, and the creative ability to produce novel, relevant ideas. In addition, competence encompasses intelligence as the capacity to solve problems not encountered previously. Furthermore, important roles are played by motivation, which is an internal willingness to accomplish the tasks that build an organization’s competence, and by communication skills, including the ability to express oneself to other people.⁷⁶ Accordingly, the growth process to become

⁶⁹ In the context of the present study, micro-history is considered a tool for analysis that steers and constructs interpretation as described by Fingerroos and Haanpää. Fingerroos and Haanpää 2006, 26.

⁷⁰ Yli-Renko et al. 2001, 588.

⁷¹ Hjerppe 2007.

⁷² A new OECD project. New sources of growth: intangible assets 2011.

⁷³ Mintzberg 1983.

⁷⁴ Quinn et al. 1996.

⁷⁵ Stehr 1994.

⁷⁶ Taatila 2004, 34-39.

an expert includes self-reflection on a professional's competence in relation to the work community, background, or scientific knowledge, along with customers and co-operative networks.⁷⁷

The art world's lack of formalized system for authenticating art indicates the role of competence in the tertiary art market.⁷⁸ As a person can have competence in several tasks, it is relevant to distinguish formal competence demonstrated through education and certificates from real, apparent competence.⁷⁹ Overall, for a company to be considered competent, the employees should possess the appropriate skills and knowledge to perform its service.⁸⁰ When a company's competence is regarded as inadequate, knowledge should be acquired from other resources. Because the acquisition and exploitation of knowledge are predominantly social processes⁸¹, these considerations call for a discussion of social capital.⁸²

1.4.3 Social capital

In political science, as well as in sociological and anthropological literature, social capital is understood as a set of norms, networks, and organizations through which people gain access to power and resources, as stated by Christian Grootaert in his paper on social capital as the missing link. In the wide discussion of the role of social capital, economists have focused on the contribution of social capital to economic growth. At the level of microeconomics, such contribution is primarily detected in the ways social capital improves the functioning of markets.⁸³

A.W. Boxman, Paul M. De Graaf, and Hendrik D. Flap define social capital to be formed of a combination of two parts, the first part being the people who can be expected to provide support in the process of goal achievement, and the second part being the resources that those people have at their disposal.⁸⁴ The other part of the combination, the resources at one's disposal, include, for example, human capital and social resources that can be found in the wealth, status, power, and social ties of those persons who are directly linked to the individual.⁸⁵ Expanding on the definition of social capital, Flap argues further that social capital is made up of at least three elements:

1. The number of others prepared or obligated to help when called upon to do so
2. The extent to which they are ready to help
3. The goal of intentional action

⁷⁷ Helakorpi 2005, 153.

⁷⁸ O'Connor 2004, 6, 20.

⁷⁹ Westerholm 2007, 25; Helakorpi 2005, 58, 62.

⁸⁰ Gilmore 2003, 15.

⁸¹ Kogut and Zander 1992, referred to in Yli-Renko et al. 2001, 588.

⁸² Yli-Renko et al. 2001, 587.

⁸³ Grootaert 1998, 2.

⁸⁴ Boxman et al. 1991, 52.

⁸⁵ Lin et al. 1981, 1163.

Hence, Flap suggests adding a fourth element to the definition, that is to say structure. The discussion of the structure of social capital can be intensified by looking at two different aspects of the subtext of social capital. The first aspect (the number of others prepared or obligated to help when called upon to do so) is based on theories presented by Bourdieu and James Coleman, and the second (the extent to which they are ready to help) on a theory presented by Ronald Burt.⁸⁶

Social capital's sources lie in the social structure within which the player who is affected by or who affects social capital is located.⁸⁷ In addition to this influence of places and facilities on resource opportunities, social capital is also conditioned by time. In some respects, today seems to override considerations for the future. There are three reasons for this: the first is concerned with the value of the returns of social capital, as players tend to value pay-offs less as the time of their achievement recedes into the future. The second emphasizes the potential one-timeness of the situation. The players might not meet again because of a change in jobs or bankruptcy, or, as sometimes is the case in the auction business, the customer might have the need for the service only once. The third reason that the future casts a shadow on social capital has to do with the time-delay in reciprocity.⁸⁸

As the exchange does not occur simultaneously, there is a risk that the other player acts opportunistically and does not repay his debts. In auction business, this can be demonstrated through the risk that the buyer will not pay the amount due to the auction house, which would prevent the seller from getting his or her payment as scheduled. Due to this time-delay in reciprocity, there has to be trust between the players.⁸⁹ Thus, social capital can be seen to be somewhat restricted. Because, the consciousness of a player's reputation is limited to social networks.⁹⁰

An additional dimension of social capital was labeled by Janine Nahapiet and Sumantra Ghoshal as the cognitive dimension. It refers to resources that provide representations, interpretations, and systems of meaning that are shared among parties, including language and codes.⁹¹ For example, in the case of ethnic networks, it can be considered how easily members of the same ethnic background can form well-functioning networks over vast geographical areas.⁹² Accordingly, the cultural context for networks, and for social capital, requires attention. Societies can be found with high and low trust. Those with high trust are more likely to create greater social capital and thereby enhance economic growth. Consequently, cultural differences explain the differences in trust

⁸⁶ Flap 2002, 36; Burt 1992; Coleman 1988.

⁸⁷ Adler and Kwon 2002, 17-18.

⁸⁸ The term "shadow of the future" was coined in 1984 by Robert Axelrod. Axelrod 1984.

⁸⁹ Flap 1999, 9.

⁹⁰ Annen 2003, 22; 451-453.

⁹¹ Nahapiet and Ghoshal 1998, 244.

⁹² Granovetter and Swedberg 1992, 11.

relations. Thus, according to the research tradition of social capital, well-being is never based solely on the development of technology or economic growth.⁹³

There can also be detected negative outcomes of social capital. The most frequently discussed are the negative outcomes of social capital and networks in form of mafia and corruption linked to governments.⁹⁴ Moreover, trust relations have to do with exploitation, intolerance, and a chance of blockade. The possibility of betrayal included in these relations can be characterized as a problem of trust and, thus, a challenge in utilizing trust in business planning.⁹⁵ These negative outcomes, though closely connected to the concept of trust and timely when Russian art is concerned, are discussed in the present study but left for further research to discover in greater depth.

To condense, the core of the general definition of social capital as an investment in social relations with expected returns is consistent by all scholars, who have contributed to the discussion.⁹⁶ As argued by Jari Ojala and Vilma Luoma-aho, of the various components of intangible capital, the concept of social capital offers a useful tool for analysis of modern trade practices. Following Ojala and Luoma-aho, social capital is regarded as an asset that abides in the social relations of individuals.⁹⁷ Furthermore, as two main streams of social capital can be distinguished on the basis of where social capital resides, namely individual and generalized trust, it should be noted that the present study focuses on the individual advantage of social capital.⁹⁸ By investing in social capital, players in the market are able to reach resources otherwise unreachable for them.

1.4.4 Trust and reputation

In theory, all business transactions obtain an element of trust, and the art business is not an exception to this.⁹⁹ Trust in other people is affected by personal experience; thus, at the organizational level, it influences all experiences that a customer from the organization during the interaction with people representing the organization.¹⁰⁰ The central issue concerning trust is the group of mechanisms with which it can be increased. Moreover, what should be noted are the mechanisms that diminish it.¹⁰¹

Trust refers to the future and its predictability. This also makes trust a prominent mechanism in social action.¹⁰² Considering the time perception in the context of trust and services, it should be noted that trust can be divided into trust before and after service.¹⁰³ Thus, each confrontation between players is

⁹³ Fukuyama 1995; Jokivuori 2005, 8.

⁹⁴ Putnam 2000, 19-21; Mizruchi and Stearns Brewster 2001, 647-648.

⁹⁵ Jokinen 2002a, 21; Ilmonen 2002a, 27.

⁹⁶ Lin 1999, 30-31.

⁹⁷ Ojala and Luoma-aho 2008, 750-751.

⁹⁸ Luoma-aho 2005a, 146.

⁹⁹ Johnson et al. 1999, 1; Arrow 1974, 357.

¹⁰⁰ Putnam 2000, 137-139.

¹⁰¹ Hjerpe 2005, 124.

¹⁰² Ilmonen 2002b, 90.

¹⁰³ Liljander and Roos 2001, 16-19.

preceded by some kind of trust. During the service, trust moulds the post-service reputation that steers the next confrontation.¹⁰⁴ In other words, trust benefits further, as it turns into reputation.

In the context of this study, reputation is seen as a collective conception. It can be defined as both favorable and unfavorable opinions on an individual in a social network, as stated by Nan Lin.¹⁰⁵ Reputation is based on continuity, stability, and constant operations. Managing a good reputation requires the continuous conduct of proper business practices.¹⁰⁶ Where trust is seen as a part of the present, reputation can be seen as a result of the actions performed in the past, in the history of the company.¹⁰⁷ Thus, reputation can be reviewed only from the distance of a longer period¹⁰⁸ Further, reputation is a base for future expectations.¹⁰⁹ To conclude regarding the relation between trust and reputation, it can be summarized that, concerning organizations, good reputation equals a trusted organization.¹¹⁰ The formation of reputation is affected in the first stage by direct personal experience, hearsay and discussions with others in the second stage, and media communication and exposure in the third stage.¹¹¹ Accordingly, dialogue with different players is of great value to an organization. Reputation management requires understanding of the various organizational communication functions. These functions aim to positively impress players and contribute to the well-being and success of the organization in the future.¹¹²

Concerning organizations, reputation is created in arenas that can be described as places of interaction between an organization and its public.¹¹³ However, due to the growing role of social media, this definition can be considered to over-emphasize the role of organization, as noted by Luoma-aho and Vos. In their article on dynamic stakeholder model they suggest that corporate communications are becoming less predictable as interaction is moving from organizational control in the traditional arena toward an issue arena. According to the definition by Luoma-aho and Vos, issue arenas are “places of interaction where an issue is discussed by stakeholders and organisations both online and within the traditional media.”¹¹⁴

Thus, it is suggested that the organizations are not able to define reputation themselves. Instead, it is such issue arenas that mould reputation. Because of new media, art market players can express their opinions to a wider public. The result depends on which stakeholders get to express themselves in

¹⁰⁴ Luoma-aho 2005b, 397.

¹⁰⁵ Lin 1999, 40.

¹⁰⁶ Aula and Mantere, 2008, 23.

¹⁰⁷ Ojala et al. 2006, 16.

¹⁰⁸ Aula and Mantere 2005, 31–32, 40–41; Fombrun 1996, 72. This supports the fact that the present study is conducted over a period of six years, providing the author with distance to the issues concerning reputation in the tertiary art market.

¹⁰⁹ Ilmonen 2005, 55.

¹¹⁰ Aula and Mantere 2008, 188.

¹¹¹ Karvonen 2001, 16–26.

¹¹² Luoma-aho 2005 a, 171.

¹¹³ Aula and Mantere 2008, 17; 62–63; see also Luoma-aho and Vos 2010.

¹¹⁴ Luoma-aho and Vos 2010, 315–316.

the arena and on their role in creating credibility for the organization.¹¹⁵ Therefore, understanding such communicative practices is essential for the value-making processes in organizations.

Referring to the consequences of technological development and the concept of issue arenas introduced by Luoma-aho and Vos, it has been discussed whether something exists that could be referred to as virtual social capital. However, it has been stated by Robert Putnam that this concept itself is a contradiction in terms. In other words, the lack of social cues in online communication prevents interpersonal collaboration and trust, especially when the interaction is anonymous and disconnected from a wider social context, as stated by Putnam. With this in mind, it should be noted that computer-mediated communication gives more ground to misrepresentation and misunderstandings.¹¹⁶ However, as stated by Kurt Annen, the progress in communication technology offers examples where social capital becomes all more important.¹¹⁷

Overall, reputation is a multifaceted concept. This can be further demonstrated by a number of synonyms with which it can be replaced. Such synonyms include credibility, trustworthiness, and quality.¹¹⁸ Of these, credibility can be earned over time. This is a characteristic that credibility shares with trust.¹¹⁹ Credibility, crucial, for example, to the public appreciation of art, is created by a variety of persons who interact in multiple ways in the course of doing business. In business, credibility is connoted with believability and honesty with the customer experiences during the service.¹²⁰ What should be noted is that credibility cannot be established individually, as the creation of credibility is basically a slow social process.¹²¹ It requires physical presence and staying in touch with constituents.¹²² The second synonym for reputation, trustworthiness, has been described as the basic requirement for social capital to function in a relationship. Trustworthiness can be considered the cornerstone of social capital, as it also makes possible cooperation and functionality between networks.¹²³

In the context of services, the third synonym for reputation is customer assessment of expected quality. It is formed by word of mouth information, personal needs, past experience, and external communications. Such expectations of the service together with the perceived service form an opinion on the perceived service quality. The goal of excellent service is to create true customers – in other words, long-term customer relations. In addition, to choosing to do business with the same firm again, customers will potentially add to the firm's reputation by communicating their good service experience to others.¹²⁴

¹¹⁵ Ibid.

¹¹⁶ Putnam 2000, 168, 170, 176.

¹¹⁷ Annen 2003, 466.

¹¹⁸ Lehtonen 2001, 62.

¹¹⁹ Kouzes and Posner 2003, 25.

¹²⁰ Gilmore 2003, 15.

¹²¹ Bonus and Ronte 1997, 112.

¹²² Kouzes and Posner 2003, 46.

¹²³ Ilmonen 2005, 49; Sinervo et al. 2005, 134.

¹²⁴ Zeithaml et al. 1990, 8–9, 23.

In his book on reputation as a factor for success, Petri Vihervuori states that the reputation of the exchange-listed company impacts its success in the stock market. When the value of the stock is based on future expectations, the role of reputation as a component of intangible capital is emphasized. In the context of the study, this notion is considered a character that connects the fine art market to the stock market: In the fine art auction business, the value appointed to a painting is based on future expectations, namely on the expectations on the value the painting is able to reach in the auction. Accordingly, it is presumed that the reputation of the auction house impacts its success in the fine art auction business.¹²⁵

1.4.5 Networks

In addition to firm-specific intangible capital that encapsulates in the concepts of knowledge and social capital, networks are considered a firm's competency. A social network can be defined as a set of players and a pattern of exchange of information and/or goods among these players. Such network membership is discussed frequently in connection to definitions of social capital.¹²⁶ Joining a social network is one of the most common forms of investing in social capital.¹²⁷ In keeping with the description by Flap, social networks are capital goods, as they help to produce goals that would otherwise be impossible to achieve.¹²⁸ It can be questioned, what motivates players to cooperate.¹²⁹ This prospect is reasserted by Mark Mizruchi and Linda Brewster Stearns. In their study on bankers and social networks in bank decision-making Mizruchi and Brewster Stearns noted that networks were created to solve problems and used, for example, to fill a need for skills or resources.¹³⁰ Accordingly, a player's network and the resources that a player has access to through this network can be interpreted as social capital.¹³¹ Thus, some relations are more valuable than others.¹³² Overall, creating relationships can be considered a means to attain status and knowledge in the context of the art market in addition to obtaining a reputation through the relationships.¹³³ The conditions that influence contact opportunities for creating networks are places and facilities. Places in which people are brought together for a particular goal offer an occasion to meet others.

Attention should be further paid to the cultural context for creating and maintaining networks.¹³⁴ As an example, cultural differences in the way that

¹²⁵ Vihervuori 2002.

¹²⁶ Annen 2003, 453-454. See, for example, Putnam 1993.

¹²⁷ Glaeser et al. 2000, 13.

¹²⁸ Flap 1999, 8.

¹²⁹ Annen 2003, 454.

¹³⁰ Mizruchi and Stearns Brewster 2001.

¹³¹ Boxman et al. 1991, 52.

¹³² Aula and Mantere 2008, 177.

¹³³ Jyrämä and Morel 2009; Bourdieu 1984; Becker 1982.

¹³⁴ The evidence presented by Rose in his study on Russian social capital networks in 1998 confirms the proposition of James Coleman, suggesting that social capital networks differ greatly between situations. Rose 1998, 19.

people look at the future may have effects on social networks, making them more or less elaborate. Moreover, differences in the ways that various types of relations are valued in diverse cultures might affect the relational pattern that emerges.¹³⁵

1.4.6 Organizational know-how

The third component of intangible capital relevant for the purpose of this study is organizational know-how because it serves as an arena for reflections on intentional actions in the expert organizations in art business. In this study, organizational know-how is discussed in terms of the stakeholder theory.¹³⁶ The stakeholder concept can be traced to the strategic planning literature of the 1970's.¹³⁷ The recent emergence of stakeholder theory in the social sciences and economics has been considered a counterpart to the classical economic ideas of stakeholder value and profit maximization.¹³⁸ In discussions on strategy, for example, the re-emergence has been explained by the growing interest in ethically based theories amid increasing corporate wrongdoing. However, in the present study, stakeholder theory is considered to be concerned with effectively managing a firm rather than responsibly managing social interests.¹³⁹ Accordingly, in the context of this study, stakeholder management is understood as an approach to strategic management that focuses on the role of different stakeholders.

Among the different categorizations of stakeholders, the most commonly used is the definition articulated by R. Edward Freeman:

“A stakeholder in an organization is any group or individual who can affect or be affected by the achievement of the organization's objectives.”¹⁴⁰

However, the approach to the concept can be narrowed to include only those individuals, groups, and organizations that are critically connected to the survival of the organization. Mitchell et al. identify stakeholders according to possession of the following attributes:

1. The stakeholders' power to influence the firm,
2. The legitimacy of the stakeholders' relationship with the firm, and
3. The urgency of the stakeholders' claims on the firm.¹⁴¹

Of these, the power of stakeholders refers to stakeholders' ability to influence the business. Power makes it possible to realize desired outcomes.¹⁴²

¹³⁵ Flap 2002, 44.

¹³⁶ Ylärinta 2006, 17.

¹³⁷ Freeman 1984, 33.

¹³⁸ Ojala and Luoma-aho 2008, 751.

¹³⁹ Harrison et al. 2010, 58-59.

¹⁴⁰ Freeman 1984, 46.

¹⁴¹ Mitchell et al. 1997, 853.

¹⁴² Ojala and Luoma-aho 2008; Mitchell et al 1997.

Legitimacy of the stakeholders refers to stakeholders' general acceptance and status, as discussed.¹⁴³ In this study, the focus is primarily on organizational stakeholders – auction house employees, experts, and managers; customers; and outside experts – as suppliers of information. The stakeholder perspective sets the auction house at the center of a complex network in which stakeholders exchange goods, services, information, technology, talent, influence, money, and other resources.¹⁴⁴ Furthermore, the concept of the stakeholder is associated with two-way communication and dialogical relations and emphasizes the importance of communication among the stakeholders.¹⁴⁵ In this study, stakeholders are referred to mainly as players. I use the term “player” instead of “stakeholder” or “actor” to emphasize the game-like features of the art business. It should be noted, that I do not refer to game theory as such, because following Joel Sobel, it is taken as a fact that the institutional environment also coordinates beliefs.¹⁴⁶

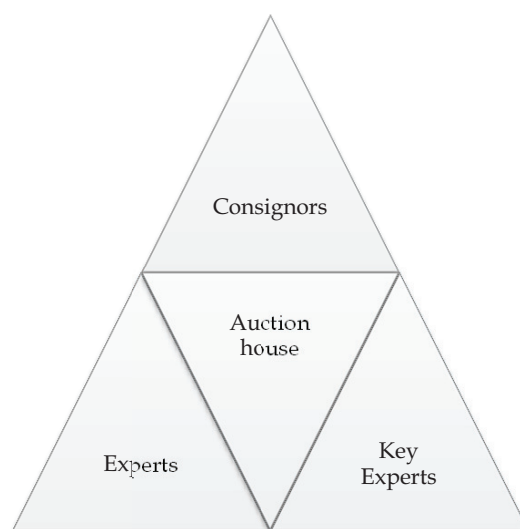


FIGURE 1 The suggested managerial framework in the present study with auction house at its core.

In intentional action, strategy can be conceived as a plan for the future and as a pattern or consistency in behavior over time.¹⁴⁷ Although described as ambiguous and elusive, the concept of strategy well illustrates the pattern of decisions and activities in the performance of a company in a certain context. Moreover, strategy encompasses solutions that support the actions taken to ensure the success. Finally, strategies are not stable but are enhanced and developed according to the progress of the company.¹⁴⁸ In the course of such

¹⁴³ Ojala and Luoma-aho 2008, 757; Suchman, 1995.

¹⁴⁴ Harrison et al. 2010, 60; Barringer and Harrison, 2000; Rowley, 1997; Freeman, 1984.

¹⁴⁵ Luoma-aho 2005a, 91.

¹⁴⁶ Burt 1992, 271; Sobel 2002, 147.

¹⁴⁷ Mintzberg 1994, 23.

¹⁴⁸ Koskinen et al. 2005, 49-50.

evolution, the company's action is compared with the best by any branch. Such benchmarking for an auction house should include a program for change, but this study leaves that task to future research.

In strategic management theories, the intellectual capital perspective of the firm, and particularly the impact of the transformation of resources from one to another, has been endorsed. Accordingly, this study focuses on human and relational resources, such as knowledge, social skills, and valuable relationships. These resources can be transformed into organizational resources owned by the firm.¹⁴⁹ Therefore, the capability to create and transfer knowledge contributes to firm's organizational advantage over markets.¹⁵⁰

Overall, in this study, the concept of strategy is implicitly assumed to refer to the proper ways of conducting business, and strategic tools are understood as instruments that ensure success.¹⁵¹ Within the managerial framework, the strategy of an auction house is assessed through the relations between the auction house experts and outside experts, called key experts, and in the relations between the auction house experts and consignors (Figure 1). In all these relations, intangible capital is assumed to play a crucial role.

1.4.7 Marketing and advertising

Today, customer-value and customer-relationships frameworks are believed to capture the essence of marketing.¹⁵² Thus, marketing is associated improving customer knowledge. In addition, firms willing to practice smart marketing must develop customer connection technologies. These factors further call for understanding customer economics.¹⁵³ In *Marketing Principles*, Kotler et al. define marketing as:

"A social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others."¹⁵⁴

Marketing is the process by which companies build customer relationships to capture value from customers in return. For the purposes of this study, marketing is understood as satisfying customer needs. The marketer needs to understand customer needs and desires in order to satisfy them and recognize the market-place in which they operate.¹⁵⁵ Therefore, the discussion of these two components of intangible capital continues in the third chapter with examples from the auction business, but first the second discussion chapter examines the art market as a marketplace.

¹⁴⁹ Roos et al. 2001, 23.

¹⁵⁰ Yli-Renko et al. 2001, 588.

¹⁵¹ Jyrämä 2008, 86.

¹⁵² Kotler et al. 2008.

¹⁵³ Kotler 1999, 12.

¹⁵⁴ Kotler et al. 2008, 7.

¹⁵⁵ Kotler et al. 2008, 7-8.

1.4.8 Social capital and strategic management of knowledge

Of all the concepts discussed in connection with intangible capital, social capital seems most beneficial for the present framework. Social capital is understood as an asset that abides in the social relations of an auction house making attractive networks¹⁵⁶ which are considered a depot for these relations. The emphasis given to this aspect is supported by previous research on social capital that states that the core of social capital is investments in social relations with expected returns.¹⁵⁷ In addition, several studies have noted the relevance of networks on the art market in particular.¹⁵⁸ Since the concepts of intangible capital and social capital have an apparent overlap, their relationship between needs to be clarified.

The present definition for social capital is broken down into its components in Figure 2. This characterization differs from the one discussed earlier and more efficiently groups together the various components of intangible capital. In addition to trust and reputation, networks, social skills, and competence are regarded as components of social capital in this study. In the seminal texts on the sociology of art, it should be noted that, while Bourdieu saw the accumulation of symbolic capital as acquiring a reputation for being competent and respectable, this research considers those characteristics to be aspects of social capital.¹⁵⁹

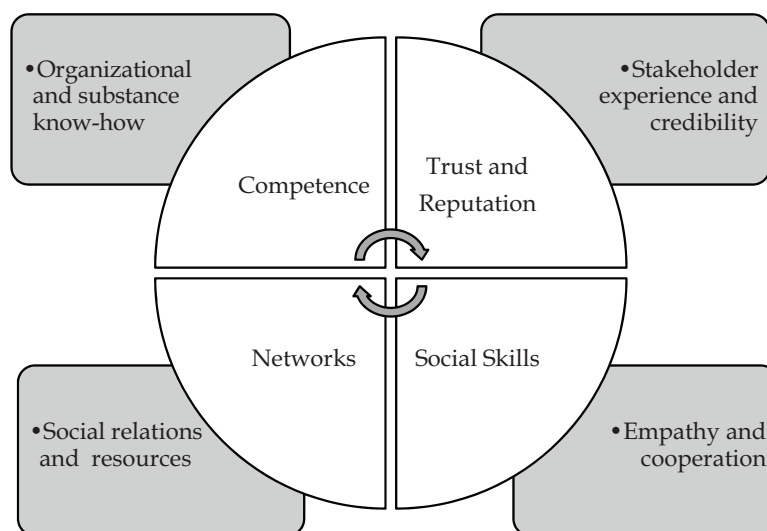


FIGURE 2 The components understood to constitute social capital in the present study.

¹⁵⁶ Ojala and Luoma-aho 2008, 750-751.

¹⁵⁷ Burt 1992; Coleman 1990; Lin 1999, 30-31.

¹⁵⁸ For example Becker 1974; Moulin 1987; Jyrämä 1999.

¹⁵⁹ Bourdieu 1984, 291.

This characterization is further supported by the results of Jyrämä identifying the most important competences of a gallery owner as business expertise, art expertise, and relationship skills.¹⁶⁰ These competences are proposed as also relevant to the fine art auction business together with networks, trust, and reputation. This study focuses on the Finnish art market for Russian paintings, but the fine art auction houses' expert networks reach from Finland to Russia and Sweden. Therefore, the significance of social capital and the differences in its conceptions in the cultural contexts of these two countries are discussed.

Russia appears to be a modern society due to the educational level and urbanization of the population. However, Richard Rose has argued that the Russian state and market remain influenced by the anti-modern Soviet legacy.¹⁶¹ Russia experienced a financial crisis in 1998, and the reforms made to recover from it brought to the surface the lack of transparency, insufficient accountability, and consequent spread of corruption.¹⁶² Perception of the formal rules within a society as contradictory and unstable produces a high level of uncertainty. Thus, Russia can be described as a low-trust society.¹⁶³

In contrast, in Finland and in other Nordic countries, the high degree of economic equity and low levels of patronage and corruption affect these countries' high levels of social capital.¹⁶⁴ The Finnish research tradition on social capital has laid emphasis on the employees' commitment to work in organizations, trade organization, and on differences in economic developments.¹⁶⁵ Finnish business leaders generally have warm relationships with the state. For example, during major economic or societal crises, top managers have been included transactions crucial to the society. Thus, Finland is a highly illustrative case of the power of social capital.¹⁶⁶

In the light of these factors, this study focuses on how the social capital in an auction house's relations to its key experts affects the auction house's ability to acquire new knowledge and exploit it to obtain consignments. Drawing on the work by Yli-Renko et al., the present study investigates how social capital facilitates the acquisition of external knowledge in the fine art auction business.¹⁶⁷ The third research question encapsulates the objectives of this study:

How does social capital benefit the auction house in acquiring external knowledge?

According to the main argument, the starting point for this study's discussion of social capital is the assumption that auction houses aim to build expert

¹⁶⁰ Jyrämä 1999.

¹⁶¹ Rose 1998, 2.

¹⁶² Ledeneva 2004, 71-72.

¹⁶³ Radaev 2004, 91, 98-99.

¹⁶⁴ Luoma-aho 2005a, 150.

¹⁶⁵ Furthermore, the scientific challenge of the Academy of Finland research project *Social Capital and Trust Networks* was to explain and understand how and where social capital develops. The goal of the project was to explore the effects of social capital on, for example, economic development, and the alteration ability of the market. Hjerpe 2005; Jokivuori 2005, 9; SoCa research programme Web pages.

¹⁶⁶ Ojala and Karonen 2006, 123-124.

¹⁶⁷ Yli-Renko et al. 2001, 587.

networks to support their competence and thus respect employees rich in social resources who are seen as capable of acquiring and keeping customers. The following sections review the methods used to discuss the argument and answer the three research questions.

1.5 Methodological approach and data

1.5.1 Outlines of methodological decisions

The first challenge I encountered during the research process was the notion that reliable information that could be used in micro-history-level research on the tertiary art market is hard to come by.¹⁶⁸ Besides auction catalogues, there are no published sources for information on the consignment process, particularly from the sociological point of view, or on the consigned objects, and seldom can published graphs be found regarding price development and sales in the Finnish art market. In addition, statistical data on the art market is largely unreliable. This is a character shared by studies of local visual markets.¹⁶⁹ The second challenge I experienced was a strong self-reflective one. It was set by my personal closeness to the subject and to the market under observation, also mentioned as an obstacle for conducting objective research. To overcome the lack of resources and the risk of bias, a mixture of methods was used to gather valid and reliable information. Consequently, the present study represents a multidisciplinary research, as the areas discussed in the study cross the borders of different fields and disciplines such as art history, sociology, and economics. Even though this might lead to a failure to notice all the nuances of the terms used, it is considered a method to discover interesting, previously unreported facts from these related fields. Furthermore, to overcome the second, self-reflective challenge, the methods together with theories used are described in the following section.¹⁷⁰

1.5.2 Observation and interview

As the Finnish art market is modest both in size and in generated revenue, and further presents a limited amount of players, it offers good grounds to study art business from a sociological point of view. The arguments presented are studied based on qualitative empirical evidence. Accordingly, information based on literary sources is supported by subjective observations from the art market. Observational data has been obtained by examining the practices of both art market experts and consignors in the context of the tertiary art market. The choice of observation as a method is justified by the fact that I see the markets as a social structure and by the notion of Neil Fligstein that, to

¹⁶⁸ Jyrämä 2008, 73.

¹⁶⁹ Yorgev 2010, 514; Velthuis 2005, 199.

¹⁷⁰ Fingerroos and Haanpää 2006, 41.

understand who the players in the field are, how they all work, and what tools are available to strategic players, an analyst must spend time looking at entrepreneurs and examining their tactics.¹⁷¹ More precisely, the observational data used in the present study includes informal talks with the players in the field, auction material, articles of the auctions in the press, and photographs, along with personal memory-based illustrative material.¹⁷² In addition to observations in the field, briefings, and open interviews with the art market experts, I conducted a series of semi-structured, in-depth interviews with players active in the tertiary art market for Russian art.

The discussion guide for the interviews illustrated in Appendix 1 is divided into three sectors focusing on diverse areas of the auction business. The first sector explores the auction house customers, the market for auction business, and marketing: who are the consignors and buyers in the tertiary market for Russian art, have there been changes in the customer groups during the period under scope, and how can the customers be reached? The second section engages questions concerning trust and reputation that were concepts regarded as the main components of intangible capital in the context of the auction business during the early stage of the research process. Finally, the questions approach the valuation process and factors that have an impact on the outcomes of this process.

The selection of the informants was made on the basis of the scale of the art market in Finland. Accordingly, I interviewed three Finnish auction house representatives, namely Stig Eklund, specialist of Hagelstam Auctions, Wenzel Hagelstam, chairman of the board, Hagelstam Auctions, and Claire Svartström, managing director of Bukowskis Helsinki and preceding representative of Sotheby's in Finland. In addition, I interviewed three Finnish art and antique entrepreneurs, namely Paul Hörhammer, art consultant and preceding managing director of Bukowskis Helsinki, Antique dealer Bernt Morelius, and Nelli Smirnova, art specialist and Russian expert of Bukowskis Helsinki and Uppsala Auktionskammare. I also interviewed a representative of the Finnish public sector, namely Crime sergeant Kari Honkanen, to broaden the view of the legislative side of the art business. Moreover, the informants include Alexandr Kuznetsov, Russian art specialist and collector, and three Swedish auction house representatives, namely Anders Bengtsson, director and curator of Uppsala Auktionskammare, Knut Knutson, curator of Uppsala Auktionskammare, and Carl-Gustaf Petersen, managing director of Bukowskis Stockholm. These three Swedish representatives were chosen because, during the period under study, Bukowskis in Helsinki and Bukowskis in Stockholm used mainly the same experts for Russian art. Moreover, Russian paintings from Swedish consignors were sold mainly at the Bukowskis office in Finland. Also, the Swedish auction house Uppsala Auktionskammare shared the same

¹⁷¹ Fligstein 2001, 122.

¹⁷² This data was acquired partly when I worked in the Finnish Bukowski-Hörhammer auction house, later Bukowskis, from 2003 to 2005 and partly from 2006 to 2012, when I worked predominantly on the doctoral thesis project.

expert networks and, further, entered the Finnish tertiary art market through their Finnish representative Nelli Smirnova.

The interviewees were asked to discuss the questions, basing their arguments on their subjective experiences. However, many of the interviewees are considered to have a strong status as a company leader or representative, which was not, supposedly, disregarded during the interviews. This means that the discussion potentially follows, to some extent, the policies of the companies. Because the art market in Finland is modest in size, the number of informants was comprehensive and corresponds to the degree of involvement of international players in this market. In other words, the informants form a comprehensive set of sources given the small size of the Finnish art market. The interviews of the key informants were conducted mainly in offices or cafés during business hours. Therefore, quite a few interruptions occurred, and observations of the reactions of the persons being interviewed have been given little attention. In addition, due to time restrictions, some of the interviews were conducted following the structure using the suggested questions so strictly that they might be considered to resemble structured interviews.¹⁷³

In addition to the semi-structured interviews, open interviews were conducted with Vladimir Petrov, Russian art specialist who has cooperated, for example, with Bukowskis and Uppsala Auktionskammare as well as with Mac Dougall's auction house. During the interview, Petrov was asked questions regarding the attribution and authentication of Russian paintings. Regarding the attribution process, a two-session interview was conducted with Seppo Hornytzkj, head of material research laboratory at the Finnish National Gallery, to understand the possibilities offered by material analysis included in the attribution process. The research data further includes briefings with Mikael Schnitt, managing director of Hagelstam Auctions, Georg Khatsenkov, Russian art collector, and Ilkka Nummela, professor of economic history at the University of Jyväskylä. Moreover, material was gathered from two lectures held at the university of Jyväskylä; one the Department of Arts and Culture Studies by Mikhail Tamoikin, president at the Tamoikin Museums and the other by professor Reino Hjerpe at the department of History and Ethnology.

Due to the restricted amount of the interviews, they were transliterated from word to word to enable the case-like analysis of the data.¹⁷⁴ Accordingly, some summations using pivot tables were made based on this case-like analysis of the data. In this form of execution the data from the interviews serves as a basis from which to further develop the research questions and the arguments discussed in the study as well as a support for the observations in the field. This is partly because the interviews were conducted in an early phase of the process and the formulation of the research has changed since.

The information provided by the informants includes their tacit knowledge of the practices of the consignment process, otherwise opaque to the public. Thus, the responses are considered to include tacit knowledge that is

¹⁷³ Hirsjärvi and Hurme 1991, 7-8, 58-59.

¹⁷⁴ Koskinen et al. 2005, 125.

used by the informants in their practices, but that is difficult to explain and to interpret. Accordingly, the results of the interviews are characterized as secondary information. This can be explained by the personal character of knowledge, demonstrated by a mathematical formula by Luiz Antonio Joia in his paper on the measurement of intangible corporate assets:

$$\text{KNOWLEDGE} = \text{INFORMATION} + (\text{experience, values, patterns, implicit rules})^{175}$$

Thus, in the context of this study, information provided by the interviews is not used to construct the truth of the past in the art market but to elucidate the different points of view regarding the development of the market for Russian art in Finland and the role of social capital in this market among the players in the field of the tertiary art market.¹⁷⁶ Discussions on the valuation process offered insight into the procedure in addition to the roles played by expertise and customer encounters. In addition to its complementary role to literature as a source for research, the interview as a research method provides a way to contain the meanings and interpretations of the consignment process given to it by the informants.¹⁷⁷ There is not a particular chapter dedicated for the analysis on the interviews as such, instead, the data from the interviews is used as source along the study, converging in the third discussion chapter.

To answer the questions concerning the reliability of the information produced by the interviews, I would like to refer to Alessandro Portelli, who argues that oral history is a reliable source when it is appropriately corresponded to. Moreover, regarding the qualification of the questions presented by the researcher, I consider myself eligible to fulfill the requirement of information-orientation that includes responsibility for my interpretations due to my previous experience in the field in addition to responsibility for the significance of my subjectivity as a researcher.¹⁷⁸

1.5.3 Auction catalogues, price guides, and articles

Catalogues, periodicals, and books form a specialized subsector in the fine art market.¹⁷⁹ In fact, printed auction catalogues and newspaper advertisements announcing sales represent a fundamental shift that occurred with the proliferation of specialized public sales of art in the 17th century.¹⁸⁰ In the following section, the elements of this sector are discussed, focusing on the information value they provide and on their reliability in the context of the present study.

The results of the consignment and evaluation processes, in addition to expert networking, are demonstrated in auction catalogues. They provide the

¹⁷⁵ Joia 2000, 69.

¹⁷⁶ Fingerroos and Haanpää 2006, 33.

¹⁷⁷ Koskinen et al. 2005, 106.

¹⁷⁸ Fingerroos and Haanpää 2006, 34-35; Portelli 2002, 67-70.

¹⁷⁹ Zolberg 1990, 181.

¹⁸⁰ Arora and Vermeylen 2012, 11.

information needed to legitimate the works of art; hence, they act as a part of the strategy of the company. As auction catalogues provide information about the objects of a particular sale, the supply of the Russian paintings in the Finnish fine art auctions from 2000 to 2008 was determined using auction catalogues and the auction houses' websites. Auction catalogues were used as source to learn about the prices and provenance of Russian paintings. Generally, auction catalogues are a fruitful source for research in the field of the art business, as information in this field is otherwise scarce. Catalogue texts include the name of the artist, information on the artwork such as its title, size, and medium used, and information on the provenance of the artwork when available. The contents of the catalogue are guaranteed according to the conditions of sale.

Today, auction catalogues are published both on paper and electronically and are, thus, offered for public examination and possible commentary online, irrespective of location. For the art market players, the catalogues provide information, for example, on the prices, certificates, and provenance or ownership of artworks. The publicity and geographical extension of the catalogue information further supports the notion that a balance is kept between prices and quality by auction house experts; hence, the estimated prices are considered to be more stable. Auction catalogues are published alongside each auction, but most effort is put into the catalogues of international sales. In Finland, these auctions are organized once a season, approximately in November-December and May-June. In the Finnish art market, these sales are the arena where the most prestigious works of art are sold, and they are also measurably marketed.

Information on price development for particular art objects that are sold in the international tertiary art market can be studied through various international price guides, such as *Art Net*, *Art Price Index*, and *Le Guide Mayer*.¹⁸¹ For example, *Mei Moses Fine Art Index* subtracts the original sales price from the most recent sales price and calculates an annual return for a painting. The data used is collected for the New York art market from Sotheby's and Christie's auction houses, so it is most suitable for those interested in the American market.¹⁸²

The articles used as research material in the present study are published in various forums. The priority is on articles published in refereed journals such as *The American Economic Review*, *European Economic Review*, *Journal of Cultural Economics*, and *Journal of Economic Literature*. The additional printed data used to validate the observations from the field includes articles published in forums varying from art magazines to Finnish and international daily newspapers. Thus, it offers a wide spectrum of aspects and levels of information.

¹⁸¹ *Art Net*; *Art Price Index*; *Le Guide Mayer*. The last version of *Le Guide Mayer* was published in 2005, and the updated information can be found at the *Art Value Web site*.

¹⁸² *The Mei Moses Fine Art Index*.

Recently, art as an investment and collectibles have become a prevalent topic in the financial press, and auctions are routinely covered in periodicals.¹⁸³ Considering the size of the market and the public interest in the field, the column space given to the art business in the financial press, for example, is extensive.¹⁸⁴ In Finland, both auction houses are represented quite equally in articles introducing the most valuable and interesting pieces to be sold, mainly in connection to the international auctions held twice a year. Moreover, the popularity of the columns with evaluation services in periodicals has added to the possibility of gaining information about the prices of art objects and about the art business in general.¹⁸⁵

Even though auctions and the art business are discussed extensively in the media, there seems to be a demand for further analysis and critical writing on the market. Differences in the ways that the media approaches art market issues in Finland, Sweden, and Russia, the countries mainly addressed in this study, can also be found. In short, it could be stated that, in Russia, the art trade players use the media mostly for popularization purposes. All in all, the Russian press can be described as the most commercial of the three countries discussed. In comparison, the Swedish media is considered to be more analytic and has adopted a reporting character. In connection to auctions, the Swedish press has customarily published articles presenting commentary on the success of auctions with adequate information that can be used as data for possible index calculations. The information provided includes, for example, total sales and exclusive commissions, current market shares occupied by the auction houses, quantity of sold objects divided into two groups: objects sold over 100 000 SEK and objects sold over 1 000 000 SEK, recall frequency of the consigned lots as well as changes in these numbers compared to previous results.

In the context of the present study, these various articles discussed, excluding the articles published in refereed journals, are used as documentation of the popular point of view regarding the art business. However, it should be noted that discourse analysis as such is not applied in the present study.

¹⁸³ Koeningsberg 1989, 26.

¹⁸⁴ The size of the market was emphasized by an informant: "A small car sales company sells more cars than what we sell here." Chairman of the board Wenzel Hagelstam interviewed by the author 13.11.2006.

¹⁸⁵ Director and curator Anders Bengtsson interviewed by the author 28.2.2006; Chairman of the board Wenzel Hagelstam interviewed by the author 13.11.2006; Curator Knut Knutson interviewed by the author 14.2.2006; Art specialist Alexandr Kuznetsov interviewed by the author 16.8.2006. Ekbom in *DI Weekend*, 23.12.2005.

2 EXPLORING THE ART MARKETS

2.1 Art market rules

Markets can be described as juridical and historical, sociological, and economic frames of thought, as stated by Kaj Ilmonen. Moreover, markets are artificially maintained structures whose core cells are the goods traded in them.¹⁸⁶ Accordingly, the art market can be defined as the context where the conversion of intangibles and cultural value of art into fungible value takes place.¹⁸⁷ The art market can also be considered a network consisting of private, business, and institutional players.¹⁸⁸ It is an autonomous field that requires exceptional competences. Moreover, it requires social capital from the players trading in it. Thus, inner social hierarchization will take place as soon as such a market grows in a country.¹⁸⁹

Art markets operate from selected centers, enabling not only local but also regional and international art exchange.¹⁹⁰ These selected centers are rich in cultural and economic capital and they often constitute the capital cities of the countries in which they are located. Thus, the geographical location of the market determines the size of the economic effects on the market – the success of the market depends on the general economic prosperity of the country in which the market is located.¹⁹¹ For example, economic development provides better infrastructure that makes remote areas more accessible and allows inhabitants to travel more easily to cultural centers, where auction houses are situated together with major galleries.¹⁹² Moreover, the success of the art market depends on whether the country has an internationally and politically strong government and a soundly managed economy. Also, the level of a speculative

¹⁸⁶ Ilmonen 2007, 59, 66.

¹⁸⁷ Becker 1984, 109.

¹⁸⁸ Jyrämä and Äyväre 2006.

¹⁸⁹ Uusitalo and Jyrämä 2008, 62.

¹⁹⁰ Robertson 2005, 4, 15.

¹⁹¹ Throsby 2006, 20.

¹⁹² Bille and Schulze 2006, 1053-1054; Uusitalo and Jyrämä 2008, 62.

environment has its effects on the success of the art market, as does a high standard of living.¹⁹³ Accordingly, supply and demand in the art market is affected by economic fluctuation as well as political and social changes.¹⁹⁴

Like the consumption motives of art museum services, the visiting motives of art market services can be categorized as knowledge motivation, aesthetic-hedonistic motivation, and social motivation.¹⁹⁵ Thus, the interaction and behavior of the individual players in the art market aims not so much at maximizing economic goals but, rather, at gaining sociability, approval, status, and power.¹⁹⁶ However, even though some corporate satisfaction may derive from cultural achievement, for the corporate players in the art market, profit maximization is the dominant goal of their intentional action.¹⁹⁷

On the demand side of the art market, consumers approach the art market on the condition that they have a certain amount of money for use in the market. This side of the market includes collectors, dealers, museums, corporations, and anyone with a desire to possess a work of art differing in awareness and taste.¹⁹⁸ Inspired amateurs, informed connoisseurs, speculative investors, and occasional buyers can be found. Their motivation for acquiring objects of art is multiple, such as love for art, a desire for social status, or the anticipation of financial gain through investment or for a combination of the three, as stated in the *AAM Guide to Provenance Research*.¹⁹⁹ Thus, the consumption of art is, to a great extent, connected to social capital, to the desire for the intangible or non-monetary value that works of art possess.²⁰⁰ The consumers' behavior is further affected by gender and situation in life. Considering the anticipation of financial gain, their decisions depend on the liquidity, expected return, and risk of the acquisition and on their wealth and preferences.²⁰¹ Moreover, the action of the buyers in the art market is steered by a desire to find a choice mechanism that would assist in taking a satisfying path that will permit satisfaction at some specified level of all of the buyer's needs. This is due to the fact that the buyers have neither the senses nor ways to discover an optimal path.²⁰²

Even though the focus of this study is neither on the demand side of the art market nor on the history or practice of collecting, it should be taken into consideration as a linked phenomena because, whenever collecting occurs, interaction between the collectors and the art market can be detected.²⁰³ Getting to know the customers, their taste, and the right way to approach them will, in the future, help the auctioneer to obtain further consignments.²⁰⁴

¹⁹³ Robertson 2005, 15-17.

¹⁹⁴ Grampp 1989, 115.

¹⁹⁵ Uusitalo and Ahola 1994; Ahola 2008, 23.

¹⁹⁶ Granovetter 1985.

¹⁹⁷ Throsby 2006, 11.

¹⁹⁸ Heilbrun and Grey 1993, 159.

¹⁹⁹ Yeide et al. 2001, 1.

²⁰⁰ Gérard-Varet 1995, 509-518; Robertson 2005, 3, 34; Heilbrun and Grey 1993, 164.

²⁰¹ Ilmonen 2007, 59, 66, 115, 126; Heilbrun and Grey 1993, 160.

²⁰² Simon 1957, 270-71.

²⁰³ Koeningsberg 1989, 25. See, for example, Sopo 2012 for aspects on collecting in the context of Russian art.

²⁰⁴ See Jyrämä 2008, 85.

The supply side of the market is more difficult to define. Moreover, on the supply side, the effect of the economic development is indirect. Most players on the supply side of the art market are motivated by financial gain, and their acts can be rewardingly defined according to the principal-agent theory.²⁰⁵ The players on the supply side of the art market can be artists or art owners who request services from art market experts. The task of gallery owners or auctioneers is to convert the artworks in their possession into fungible value. In this system, art experts act as agents. In other words, they accomplish the task that the client or the consignor, as a principal, is unable to carry out. The principals' inability to carry out the tasks themselves can be due to, for example, their ineligibility to sell art in the art market or their lack of awareness of the field, in other words their lack of specialized skills.²⁰⁶ The attraction turns now to the question, who is legitimate to act accordingly in the art market?

The concrete rules in the art market game include resale rights, contracts, import and export laws, taxation, and ethical considerations in addition to proper ways of conducting business – selling, acquiring, and marketing art. The role of laws of functioning in the art market have been emphasized by Bourdieu, who stated:

“The disavowed economic enterprise of art dealers or publishers, ‘cultural bankers’ in whom art and business meet in practise – which predisposes them for the role of scapegoat – cannot succeed, even in ‘economic’ terms, unless it is guided by a practical mastery of the laws of the functioning of the field in which cultural goods are produced and circulate, i.e. by an entirely improbable, and in any case rarely achieved, combination of the realism implying minor concessions to ‘economic’ necessities that are disavowed but not denied and the conviction which excludes them.”²⁰⁷

Of these rules, export and import laws are set to protect the cultural heritage of the country that the artwork originates from. Considering the private sector of the art market, difficulties can be detected in the protection of cultural heritage and in the practices of maintaining the cultural capital of a nation.²⁰⁸ This is due to the scarcity of research facilities and time available to study the objects. To prevent art sales and transfers that could offend the cultural capital of the nation, state authorities monitor the private sector. The practices undertaken by the state authorities include legal controls, primarily to hinder illicit art sales and transfers, including import and export restrictions and taxes, together with authentication services. In the markets for past art, such legal controls demonstrate best the institutional power in the art market power structure.²⁰⁹ Moreover, considered from the potential consignor's point of view and the fact that it is actually a piece of the history of a nation that is being traded, the

²⁰⁵ Krowitz 2002, 216.

²⁰⁶ Kanniainen et al. 1996, 38; Ojala 1999, 247.

²⁰⁷ Bourdieu 1993, 75-76.

²⁰⁸ Despite the timeliness of these questions discussed above, the topic is not a new one. As stated by Lacey, the questions of cultural value were discussed in the British Parliament in the 18th century because of the transfer of the Walpole Collection to Catherine the Great of Russia. Lacey 1998, 32.

²⁰⁹ Robertson 2005, 22-23.

destination of the object is seldom taken into consideration when a suitable buyer is found. On the other hand, the foreign exchange received by the collectors replaces the art that the country no longer has and may be used to buy other art.²¹⁰

Value in the art market is considered to combine the logistics of the economy and the culture. Thus, players in the art market should take into consideration legitimacy structures, social imperatives and patterns of meanings in addition to commercial opportunities.²¹¹ Of these, legitimacy is strongly associated with the uncertainty of the art markets. To find out, how this uncertainty can be conquered and who are legitimate to operate in the art market and on what premises, these concepts are discussed in the following.

2.2 Objects of trade

According to the structure of the art market, objects of art that arrive in the tertiary art market have already been classified as art in the primary and secondary art markets. Consequently, the task left to the experts in the tertiary market is to recognize the value of such objects.²¹² Accordingly, the present study is not about defining what art is. Instead, the concept of artwork is used to mean anything that the art world has accepted as art before it has reached the tertiary art market.

The artworks in the tertiary art market are defined as objects of trade. Considered as objects of trade, they are unusual and have special requirements that have to be considered by the players in the art market. For example, works of art possess values that are not revisable in either real or contingent markets.²¹³ This notion should be taken into consideration when discussing the treatment of these objects as goods or commodities.²¹⁴

Three factors describe the characteristics of art objects as commodities. First, art objects are created by individuals and traditionally produced as differentiated objects. This first characteristic underlines the heterogeneity²¹⁵ of works of art in addition to the aesthetic perspectives on art production.²¹⁶ As mentioned, artworks provide immediate consumption services through their aesthetic qualities: the consumption services they provide will be a subjective reaction, as in the case of wine.²¹⁷ Therefore, it can be summarized that, for both

²¹⁰ Grampp 1989, 69.

²¹¹ Yogev 2010, 512; Plattner 1996; Velthuis 2005, 28-29.

²¹² Fenner 2008, 1, 46.

²¹³ Throsby 2006, 7.

²¹⁴ Stavlöt 2005, 1.

²¹⁵ Heterogeneous as a concept emphasizes feature of an object to possess diverse characteristics and appropriations as there are no two of a kind – even paintings by one artist are neither identical nor interchangeable. Renneboog and Van Houtte 2002, 26, 331-357.

²¹⁶ Chanel et al. 1996, 11.

²¹⁷ Caves 2000, 3.

art and wine, a high price functions as an indicator of high elite value instead of scarce supply and high demand.²¹⁸ However, in both cases, as a result of the heterogeneity of the objects, their characteristics and scarcity further generate a higher value in the market.²¹⁹

Moreover, art objects act as vehicles of symbolic messages. However, they also provide immediate consumption services such as social status through their social attributes. This can be described as the second main characteristic of art as a commodity, discussed in greater detail in the present chapter. Third, attention should be drawn to the public-good attributes of art. This can be demonstrated, for example, by situations in which a work of art is acquired by a museum or a gallery and set for public show. Hence, the art object becomes part of the cultural capital of a nation.²²⁰ Finally, when these characteristics discussed are converted into fungible value, artworks obtain a new role as an investment, the fourth characteristic discussed in this chapter.

2.2.1 Aesthetic experience and its value in the trade

In the art market, the aesthetic qualities of an artwork are considered qualities that make the object of art desired by someone.²²¹ As stated by Richard Shusterman, aesthetic value comes in to life is demonstrated in the experience of an appreciating subject.²²² In the context of the present study, the concept of aesthetics is understood as an adjective, as suggested by David E.W. Fenner:

“To define ‘the aesthetic’ is to understand why some experiences are apportioned off from others, with the former labelled as aesthetic and the latter not.”²²³

It can argued whether the aesthetic quality of a painting is something that is independent of what it is associated with, including the artist, provenance, and exhibitions and, further, how much it was paid for, what its title is, or whether it has the original frame. Considered from the art market’s point of view, a collector rarely buys a painting that is not identified. What is desired in the art market is an entire aesthetic object: painting, artist, and title.²²⁴

As social capital fluctuates according to its cultural context, aesthetic objects and the experience in the art market are also affected by the context in which we consider them, as indicated by Fenner. Some aesthetic objects present, for instance, strong nationalist messages and are, thus, affected by the national

²¹⁸ Plattner 1998, 482.

²¹⁹ Chanel et al. 1996, 2.

²²⁰ Throsby 1994, 4; Throsby 2006, 7; Gérard-Varet 1995, 509-518. Recently, the public good attributes of art have become increasingly visible in business societies as culture and art have been emphasized in the corporate social responsibility of the companies and cultural values are considered extensively alongside environmental and social values. This is demonstrated, for example, by exhibitions where the art collection of a business organisation is put on public view. Luukkanen-Hirvikoski 2011.

²²¹ Grampp 1989, 16

²²² Shusterman 2008, 42.

²²³ Fenner 2008, 40.

²²⁴ Grampp 1989, 130-131.

or cultural contexts. Other social contexts include ethnic, political, and gender contexts. Aesthetic objects can also be experienced in different moral contexts, such as a religious context. Finally, aesthetic objects can be experienced in several contexts characterized by taste. Overall, an aesthetic experience in the context of the art market is best understood as relational.²²⁵

In light of the above, a strong obligation to develop the art market appraisals toward a more equitable direction, taking into consideration high ethical values, can be detected. The goal in the development of art valuations would be the formation of an equitable and ethical appreciation process. Accordingly, international standardization is currently being generated, for example, by the Tamoikins Museum - Tamoikin Inc. The aim of their operations is to solve "the last unregulated market of art, antiquity and collectibles." To do so, the Tamoikins Museums has developed a new tool for appraisal emphasizing object documentation, the System TES.²²⁶

In the field of fine art auctions, this process would require an objective, internationally standardized appraisal tool that would not be based solely on estimates by auction house experts and price indices derived from hammer prices but on official appraisals. The development of such an appraisal tool would minimize the potential bias due to under- and over-estimations by auction house experts, in addition to ignorance of information about a single transaction. Moreover, the owners and potential consignors of art works would have a rightful sense regarding what they possess and what its value is. Such an appraisal tool would also emphasize the importance of the role of art works as a part of a country's cultural heritage. This is because objective and consistent criteria by which to ascertain the aesthetic quality of artwork in the art market can hardly be found.

Taking further into consideration ethical aspects of the art market in general, for some, the fact that art is evaluated and traded for profit is repulsive, whereas others may see the art market as a threat to the preservation of cultural heritage. As stated by Hutter and Throsby: "Debate about the relationship between cultural value and economic value has been carried on in philosophy since Plato and Aristotle".²²⁷ These accents are detected also in the contemporary discussions in the art world, despite the growing interest in the sociology of art and the context of consuming and distributing art.²²⁸ As stated by Velthuis, there is "a long and tradition in the humanities that has been concerned with the art market and opposes the economic perspective." The main argument behind this tradition is that the "unique value of art is "trivialized" by pricing it.²²⁹ In this, the role of the auction houses is to serve as a reference of economic value to the market as they constitute a way to observe the price and market development over the years.²³⁰

²²⁵ Fenner, 2008 33-36, 41

²²⁶ Tamoikin 2010.

²²⁷ Hutter and Throsby 2008, 1,3. See also Ginsburgh and Weyers 2008, 179.

²²⁸ Browne 2004, 9. See also Sjöberg 2010 on the polarities of the art world in Finland.

²²⁹ Velthuis 2003, 183.

²³⁰ Throsby 2006, 4.

Accordingly, a prevailing, inbuilt attitude toward the art business and art trade in the tradition of art history as a niche of humanities can be detected.²³¹ This attitude has been strengthened by the idea of the autonomy of art and the altruism of art in addition to the theories and rules of museum ethics.²³² This is understandable in a context where art in practice collides with money and commerce.²³³ The juxtaposition of museum expertise and commerce is an international issue. Generally, experts working for museums are not allowed to present themselves as commercial art experts. However, a dilemma can be detected, as it has been stated that a genuine art expert can be born only from inside a museum. Because, a museum is the place where an expert can study authentic works of art.²³⁴ Moreover, as a negative result, this anti-commercial attitude has had a restrictive influence on the growth of art markets as well as on cooperation in the field of art.²³⁵

It should be noted that the timeliness of this discussion of this particular division of the art field seems to be diluting. As stated by the art critic Richard Dorment, the line between the trade and museums in England started to break down in the 1960s, when Christopher White and Philip Pouncey left the British Museum to work at Colnaghi's and Sotheby's. White even returned from art dealing to curatorial work, later becoming the director of the Ashmolean Museum.²³⁶ Same kind of phenomenon can be detected in Sweden where, for example, Anders Bengtsson has successfully changed careers between the museum branch and the art market. Indeed, one of the main changes in the current art system has to do with the actual deterioration of the thought of the opposition between art and markets. For example, since the 1990s, both the public and private art sectors have been taking economic factors in Finland more systematically into consideration.²³⁷

Thus, the dividing line between art museums and the art trade seems to be fading. As noted by Frederik J. Duparc, director of the Royal Cabinet of Paintings Mauritshuis in The Hague, putting aside the prejudice against art historians with experience in the trade would, in the future, benefit both trade and museums through a positive and open-minded relationship.²³⁸ Accordingly, there have been suggestions regarding the changes in the current structure of the art market. According to Kira Sjöberg, the new art market structure is already being utilized, for example, in England and Sweden. It places markets

²³¹ Renneboog and Van Houtte 2002, 26.

²³² Bourdieu has described the juxtaposition of culture and monetary exchange in addition to the disputed role of actors on the commercial side on the art field. Bourdieu 1993, 75-76. Compare also the ICOM Code of Ethics. ICOM web pages <<http://icom.museum/ethics.html#intro>>. 4.2.2010.

²³³ Browne 2004, 9.

²³⁴ In Russia, this has not been an issue comparable to the situation in the western countries because of the late development of the commercial art market. Art specialist Vladimir Petrov interviewed by the author 24.4.2012.

²³⁵ Uusitalo and Jyrämä 2008, 61.

²³⁶ Dorment 2004, 55.

²³⁷ Sevänen 1998, 349.

²³⁸ Duparc 2004, 37.

instead of art history as a starting point for art market considerations.²³⁹ Thus, despite the traditional functional isolation or, in other words, the developed distribution of tasks between, for example, art dealers and art researchers that occur in the art system, there should not be obstacles for the players with some restrictions to act in different roles.²⁴⁰ Although this study is not directly concerned with this problematic relationship between scholarship and the art trade, in the construction of the structure of the art field and the practices that take place in it, the presence of the two polarities, the intellectual and the commercial, can rarely be overlooked.²⁴¹

Considering the art trade and scholarship, until recently, academic education focusing on the art trade, management, and expertise has not existed, as such, in Finland. Instead, education aimed at supporting participation in the art trade has been traditionally provided by Sotheby's and Christie's in London and New York, and it has also been participated in by Finnish art market players. Today, such education is also offered in Finland by the Aalto University, which offers the opportunity to study in an international master's degree program in art theory, criticism, and management. The program is organized jointly by the Art Research majors in the Department of Philosophy, History, Culture and Art Studies at the University of Helsinki and the Department of Marketing and Management at the Aalto University School of Economics.²⁴² Thus, this prospect for education can be considered a factor affecting the overarching level of theoretical expertise of art business operations in the Finnish art market as well as a factor further diminishing the distance between the two polarities, the intellectual and the commercial. Overall, through the possibilities offered, the present study aims to strengthen the role of the private art sector as a subject of academic study alongside the public one.

2.2.2 Social attributes of the objects traded in the art market

In light of the above, art objects attain the role of a commodity as they enter the market. The role of the artworks is, then, further objectified during the consumption process.²⁴³ Once the art object has attained the role of a commodity, it is capable of fulfilling some of the wants that Veblen called higher wants. He referred to wants, such as the need for good repute, that may overtake the lower or more elementary wants. Thus, commodities that are consumed to fulfill these wants are objects of conspicuous consumption, the central phenomenon in Veblen's text on leisure. Such products are defined as

²³⁹ Sjöberg 2010, 15.

²⁴⁰ Sevänen 1998, 23.

²⁴¹ Compare Linnovaara 2008, 22; Sevänen 1998, 353.

²⁴² See MDP in *Art Theory, Criticism and Management* Web pages for more information.

²⁴³ Objectification is understood to refer to the ways goods are used for something other than what is usually expected. According to Ilmonen, for a work of art, even though it is fully separated from its productive tasks and the characteristics it possesses are deteriorating, its value grows through this process. Ilmonen 2007, 69-70.

difficult to obtain. Moreover, they are supposed to attach appreciation and status to the conspicuous consumer through attracting positive attention.²⁴⁴

Craving for conspicuous consumption can, to a certain extent, be considered a need to follow a leader. In this context, a leader is considered to represent a member of an elite that is believed to have superior knowledge. Moreover, the elite can represent actors with highly distinctive cultural capital, the highest economic resources or economic capital, or actors with the highest reputation.²⁴⁵ According to Becker and Murphy, satisfaction is received for consuming the same goods as the elite.²⁴⁶ It is not, however, always necessary to acquire similar goods consumed by the elite, as people can receive considerable satisfaction simply from various contacts with the elites without pretending to be elite themselves.²⁴⁷ Thus, obtaining luxury goods²⁴⁸ becomes less important, and what gains importance are the contacts one has. The desire to be taken for one of the elites, however, remains a powerful motive, especially in wealthier and more urban societies, and can be seen as one motive on the demand side of the fine art auction business, as people want to own similar works of art as the elite.²⁴⁹

Although Veblen saw wants and consumption in the context of the modern industrial community, I do not see an obstacle to adapting his ideas to the contemporary tertiary art market²⁵⁰ and, for example, to the case of Russian consumers buying Russian art in Finland today. On the contrary, from my point of view, the desire for added comfort and security from want mentioned by Veblen can be seen to be present as a motive in the consumption and possession of luxury goods, such as paintings, by Russian consumers today.²⁵¹ Accordingly, the principal motivation for investing in the old masters market is the wish to demonstrate that one has reached a certain financial and cultural point in life. In comparison, when it comes to new buyers of avant-garde art, the customers seem to use contemporary art to express their own achievement of status – in collecting art, they find a new sense of social position, and for them, artworks act as status goods.²⁵² Accordingly, it is vital to be conscious of these aspects when discussing the pre-sale estimation of Russian art and planning the marketing for the art objects to be consigned. The importance lies in

²⁴⁴ Riukulehto 1998, 64; Ilmonen 2007, 215; Veblen 1899.

²⁴⁵ Jyrämä 1999, 60.

²⁴⁶ Becker and Murphy 2000, 25-26.

²⁴⁷ Even if persons owning and acquiring art do not have direct contacts between them, social pressures seem to have a powerful influence on them. Becker and Murphy 2000, 74.

²⁴⁸ Riukulehto has described luxury as something that is not deemed socially necessary and without which one can easily manage. Synonyms used for such products include status goods, positional goods, and prestige products. In comparison, according to Ilmonen, to belong to this category of luxury goods, an object has to produce aesthetic and sensual pleasure. Riukulehto 1998, 21; Ilmonen 2007, 215, 363.

²⁴⁹ Becker and Murphy 2000, 24.

²⁵⁰ Compare Robertson 2005, 3, 34.

²⁵¹ Veblen 1899, 32, 107.

²⁵² Simpson 1981, 23, 28.

considerations of who the potential buyers are and how they can be further motivated to participate in auctions.

However, it seems still arguable whether art objects and especially paintings can be considered luxury objects. For example, Ilmonen argued that paintings by Vincent van Gogh are not luxuries because luxuries have to be desired generally, which van Gogh paintings are not.²⁵³ In addition, in the *World Wealth Report 2008*, there is a clear distinction between expenditures on art, which is traded and therefore subject to considerations of investment, and luxury products, which are consumed. In the context of the present study and in light of the above, works of art are experience goods that are considered luxury commodities because, first, they are consumed for their various aesthetic characteristics and social benefits, and second, they are considered a means of investment.²⁵⁴ These aspects have been strengthened by the notions by Clare McAndrew, who stated in *Emerging Economies and the Art Trade in 2008: Globalisation and the Art Market* that works of art are dual in nature. This can be attributed to the notion that they yield aesthetic and non-monetary benefits like consumer durables, but they also yield returns from their appreciation in value over time.²⁵⁵ Nevertheless, the theoretical starting point for the present study remains the same whether the objects sold on the market are considered sets, utility goods, culture, or services.²⁵⁶

As stated above, considering the heterogeneity, the non-monetary value, and consumption services of art objects, they require a special kind of treatment. The art market provides these objects a context in which they are traded according to their special requirements. Significant for the market of cultural goods is the taste cultivation property – past consumption has a positive effect on current and future consumption decisions.²⁵⁷ Comparably, when income increases, investment in taste may not increase as much, at least in the sense of having an immediate effect on what is consumed. This can be considered the reason that people who are newly rich do not buy the same kinds of goods as those bought by people who have been rich for a longer time.²⁵⁸

Despite their special character in the market, works of art can be compared to other goods by the way in which they yield utility. This is a characteristic that art works share with all consumer and capital goods.²⁵⁹ Utility can be found in the form of enjoyment, pleasure, instruction, enlightenment, or inspiration and at the lowest possible cost. Accordingly, the goal of the players in the art market is to obtain as much utility as possible from art instead of economic profit.²⁶⁰ However, this utility theory in the context of the art market will be challenged in the following discussion of the aspect of art as an investment.

²⁵³ Ilmonen 2007, 367; Berry 1994, 5.

²⁵⁴ Robertson 2005, 3, 34; Stavlöt 2005; Heilbrun and Grey 1993, 164.

²⁵⁵ McAndrew 2009, 26-27.

²⁵⁶ Flap 2002, 31.

²⁵⁷ Stavlöt 2005, 9.

²⁵⁸ Grampp 1989, 62-63.

²⁵⁹ Gérard-Varet 1995, 509-518.

²⁶⁰ Grampp 1989, 3, 8-9, 35-37.

2.2.3 Attributes of art as a vehicle for investment

Besides aesthetic considerations, the goals of the players investing in art are governed by commercial considerations. This notion characterizes the art business as multirational.²⁶¹ Generally, commodities in the market are often considered with respect to the economic value connected to them. Considering the expression of worth in the field of art, art objects are traditionally evaluated for the intrinsic and cultural value they possess and for their standing in a hierarchy where they are appraised for their technical, intellectual, and thematic values.²⁶² Economic analysis tends to use consumer choices as evidence that various products are of value; thus, the economic value of art in the market would, thus, lie in the fact that some individual is willing to pay for it. This value is influenced partly by the buyer's desire to obtain the art object for the consumption services it provides and for its social attributes, but it is also influenced by the expectations of gain on potential resale.²⁶³

William N. Goetzmann argued that there is evidence of a strong relationship between demand in the art market for art and financial wealth in the very long term. Accordingly, demand for art increases with the wealth of art collectors. Consequently, art may be dominant as a vehicle for investment, as suggested by Baumol.²⁶⁴ According to Grampp, the players investing in art who hope to resell it for a higher price can be categorized into three groups according, first, to their goal for compensation and, second, for their toleration of risk, as illustrated in Table 4. In these groups, the risk tolerance of the investors varies from risk-averse to risk-neutral: those who wish to minimize uncertainty in their investments can be characterized as risk-averse. Furthermore, those who are tolerant of the fact that their compensation varies are characterized as risk-neutral. Finally, the group described as risk-loving includes investors who enjoy the experience of uncertainty and are thus willing to chance their compensation.²⁶⁵

TABLE 4 Art investors divided into groups according to their optimal level of ensuring gain on resale value and risk tolerance, according to Grampp 1989.

Group characteristics	Level of risk toleration
Those who wish to minimize uncertainty	Risk-averse
Those who tolerate it if they are compensated enough	Risk-neutral
Those who enjoy the experience of uncertainty	Risk-loving

The decisions of investors described in the first two groups – risk-averse and risk-neutral – often follow the quality judgments of professional experts to ensure a gain on resale value and to minimize uncertainty. The measurement of the quality of artworks is a cultural process carried out by such experts as

²⁶¹ Björkegren 1996, 3.

²⁶² Koeningsberg 1989, 24.

²⁶³ Grampp 1989, 16; Throsby 2001, 139; McCain 2006, 150, 153.

²⁶⁴ Goetzmann 1993, 1370; Baumol 1986.

²⁶⁵ Grampp 1989, 8-9; 35-37.

scientists from museums, art critics, writers, other artists, professors from art academies or universities, gallery owners, art dealers, curators, editors of art magazines and art books, collectors, and sometimes connoisseurs des arts. These experts form an international community that is not clearly defined, the members of which tend to know each other quite well.²⁶⁶ They are also considered legitimate tastemakers and evaluators of art who, together with gatekeepers, send strong signals regarding the events they attend and what they consume, giving boundaries for taste.²⁶⁷

The concept of taste is a characteristic considered necessary for identifying an art object that is suitable for potential value increase. It can be, in short, described to include acquired domain-specific knowledge and skills, both necessary in the creative consumption of art.²⁶⁸ Thus, what is perceived as beautiful is, to a point, a consequence of one's level of cognitive development.²⁶⁹ Considering the art market, it can be questioned whether auctions are involved this taste creation together with other competent players in the field or whether auctions mainly aim at finding the results of the creation of taste conducted by others and then use it further in creating needs for supply and demand.

Holger Bonus and Dieter Ronte stated that the economic value of an artwork actually depends on its credibility. Such credibility is created by the interaction of experts. These experts are in command of cultural knowledge that enables the bearer to ascertain cultural quality. Thus, the process by which credibility is created is considered path-dependent: it may arrive by chance at suboptimal states.²⁷⁰ This statement by Bonus and Ronte supports the choice of setting the focus on the interaction of experts and other art market players during the consignment process instead of on the art objects being appraised.

The stability of expert judgments helps art objects to maintain their resale value longer, arguably for longer periods than, for example, bonds and obligations.²⁷¹ Moreover, if we compare art with, for example, bonds and stocks, we find that individual artworks are unique and traded in narrower markets than most financial assets.²⁷² Furthermore, an owner of financial assets receives concrete profit as interest, dividends, or access to liquidity, whereas the owner of a painting receives the satisfaction of owning it. Thus, the non-monetary value of art may compensate for the lack of financial reward in art investments.²⁷³

Accordingly, wisely chosen artworks can sometimes appreciate even better than more conventional alternatives.²⁷⁴ When the situation in financial markets is unstable, private investors seek alternative financial tools, and art can be considered such an alternative. In addition, the growth of the scope and

²⁶⁶ Bonus and Ronte 1997, 110.

²⁶⁷ Currid 2007, 390.

²⁶⁸ McCain 2006, 161.

²⁶⁹ Björkegren 1996, 33.

²⁷⁰ Bonus and Ronte 1997, 115.

²⁷¹ Hutter and Shusterman 2006, 195-196.

²⁷² McAndrew and Thompson 2007, 605, 592.

²⁷³ Renneboog and Van Houtte 2002, 26.

²⁷⁴ Becker 1984, 114.

size of the auction houses, together with the globalization of the art market, has accounted for the aspect of seeing art as an investment.²⁷⁵ Auction houses now provide financing for clients, and major banks lend against art, even though it is avoided by others at the same time, presumably because it is considered too risky.²⁷⁶ Moreover, both Sotheby's and Christie's offer guarantees under which the seller and the auction house set a minimum price that the auction house is obligated to pay the seller even if the lot is not sold.²⁷⁷

As works of art are considered heterogeneous goods, the value appointed to them in the art market is an abstraction, and the value of an object is not determined until the auction occurs.²⁷⁸ Hence, as a difference from other commodities, the economic value discussed in this study is not a realized value but more a compromise.²⁷⁹ This value is influenced by, for example, authenticity, provenance, and quality of the artwork, in addition to expert judgments. The value is no less than what the seller will accept and no more than what the buyer is willing pay for it.²⁸⁰

2.3 Management of art appraisals

2.3.1 Background

Originally, the term "value" in its economic sense was used to signify the worth of something. The concept of value gained broader philosophical interest during the 19th century under the influence of, for example, the Neo-Kantians and Friedrich Nietzsche. Today, descriptive sciences such as sociology and psychology attempt to give a factual description of what is actually valued, whereas economic analysis tends to use consumer choices as evidence that various products are of value. Overall, value theories are used to investigate how people value things and concepts both positively and negatively and the reasons that they use in making their evaluations. Thus, as stated by Trevor J. Barnes in his article on economic geography, "in strict terms a theory of value is simply a theory of price determination."²⁸¹

The late seventeenth and early eighteenth century saw a remarkable change in the way that art was evaluated. Moreover, with the introduction of art auctions, the requirement for an expert-auctioneer became evident.²⁸² These experts obtained the required insights into the price-setting mechanisms but not necessarily an artistic background. Accordingly, the discussion of art appraisal has deep roots and, for example, the 18th century Dutch British philosopher,

²⁷⁵ Koeningsberg 1989, 28.

²⁷⁶ McAndrew and Thompson 2007.

²⁷⁷ Koeningsberg 1989, 28.

²⁷⁸ Chairman of the board Wenzel Hagelstam interviewed by the author 13.11.2006.

²⁷⁹ Professor Ilkka Nummela's briefing, 25.5.2007.

²⁸⁰ Koeningsberg 1989, 25; Grampp 1989, 163-164.

²⁸¹ Barnes 1989, 299.

²⁸² Arora and Vermeulen 2012, 11.

political economist, and satirist Bernard Mandeville (1670–1733) provided us with the following observations on art evaluation:

“There are Parties among Connoisseurs, and few of them agree in their Esteem as to Ages and Countries, and the best Pictures bear not always the best Prices: A noted Original will be ever worth more than a Copy that can be made of it by an unknown Hand, tho’ it should be better. The Value that is set on Paintings depends not only on the Name of the Master and the Time of his Age he drew them in, but likewise in a great Measure of the Scarcity of his Works, and what is still more unreasonable, the Quality of the Persons in whose Possession they are as well as the Length of Time they have been in great Families--”²⁸³

Thus, the main factors affecting the value of a painting, according to Mandeville, are authenticity, the author and his or her career, supply, and provenance.²⁸⁴

During the 19th century, new types of art experts brought to the art world new evaluation criteria. These experts included museum curators, art historians, gallery owners, and art critics.²⁸⁵ In light of the historical example, I will shift the focus of the present chapter to the context of contemporary art evaluations. Thus, according to Plattner:

“On the broadest level the style of the work affects the price. The ‘other things being equal’ include factors in the history of an artist’s career. The more shows and prices won the loftier their level of prestige: the higher the elite status and number of galleries handling the work; the higher the connoisseurship of other collectors owning the work; and the more articles, monographs, and other media attention, the higher the prices. Within any artist’s price level, the physical attributes of the work, such as whether it is on paper or canvas if a painting, its size, medium, the existence of multiples, and the use of expensive materials all affect the cost of a specific piece.”²⁸⁶

In his analysis, Plattner emphasized the style, name, and career of the artist in addition to his or her reputation and coverage in the media, the materials used, and other physical attributes of the artwork as the main factors affecting the valuation or price formation. Moreover, William D. Landes and Daniel B. Levine remarked in 2006 that the market value of an artwork consists of two components. The first is the value of the physical object and the second is the value of the intangibles embodied to the object, such as provenance.²⁸⁷ The remark by Landes and Levine demonstrates the challenging nature of art appreciations: there are both physical and intangible characters to be valued during the appreciation process in the art market.

Furthermore, the appraisal process was described by Charles Smith as subject to an external reality. According to Smith, this reality is multilevel and affected by social and personal constraints such as preferences, opinions, rules, customs, and institutionalized practices. Smith stated:

²⁸³ Mandeville 1966, 326.

²⁸⁴ Goodwin interpreted the four most powerful factors in price determination according to Mandeville as follows: the fame of the artist, the reputation of their owners, scarcity, and faithfulness to nature. Goodwin 2006, 31.

²⁸⁵ Arora and Vermeylen 2012, 14.

²⁸⁶ Plattner 1998, 488.

²⁸⁷ Landes and Levine 2006, 240.

“In all cases, the central concern is the resolution of ambiguity and the establishment of legitimate values. The fact that these values are rooted in different contexts – individual minds, media of different sorts and ongoing practise – suggests that no evaluation is purely rational. Every determination of value is subject to forces that are part of the dominant context.”²⁸⁸

The ideas suggested by Smith can be compared with the simplified core of the neoclassical utility theory, according to which exchange values are “derivable from the primitives of individual subjective states, and natural resource scarcity,” as noted by Barnes.²⁸⁹ In the following section, the different factors contributing to the appreciation of the artwork in the context of the tertiary art market will be discussed.

2.3.2 Art market experts and the role of intangible capital in art appraisals

For centuries, experts have claimed an important role in the art world. The experts are considered to possess the necessary expertise to declare what constitutes “good” and “bad” art. Accordingly, these gatekeepers have traditionally performed evaluations on the quality of art, as stated by Payal Arora and Filip Vermeulen.²⁹⁰ It can be argued that the fact that we are living in a culture of information and expertise further emphasizes the role of experts and their statements in the choices made by individuals.²⁹¹ Accordingly, the experts perform a crucial role in the consumer markets for art. There have been many attempts to identify the characteristics that define expertise. In the present study, my goal is not to rewrite or redefine these definitions but to give an overarching description of what constitutes as expertise and what separates the experts from non-experts.²⁹²

The variety of terms used to describe a person with knowledge of art gives an idea of the organization of the art world. The J. Paul Getty Trust has defined a dealer’s role as having evolved into that of an influential art-world figure. Accordingly, a dealer is capable of affecting and, to some extent, controlling private and public perceptions on the history of art. On the other side, a scholar has been described as a person able to exert considerable influence on the art market. Moreover, as advisors to museums, individual collectors, auction houses, and other agencies, they authenticate works of art and can assess and conduct both aesthetic and market valuations.²⁹³

In addition to consulting experts, there are collectors who have established themselves in the role of an expert or connoisseur in their own niche, in which their knowledge can be characterized as profound knowledge. In general, collectors rely on the opinions of experts, but because of the differences in their opinions, for example, on quality, collectors may also judge quality based on

²⁸⁸ Smith 1989, 174

²⁸⁹ Barnes 1989, 300.

²⁹⁰ Arora and Vermeulen 2012, 2.

²⁹¹ Ilmonen 2007, 288.

²⁹² Arora and Vermeulen 2012, 2, 8; Velthuis 2005.

²⁹³ *The Business of Art: Evidence from the Art Market* 2004.

the interests of leading collectors.²⁹⁴ There are cases when auction houses consult these collectors regarding cases that fall within their field of interest. However, sometimes, the dividing line between a collector and a dealer is not as clear, as some collectors trade earlier purchases when better examples become available, and often, dealers maintain private collections not generally for sale.²⁹⁵

Thus, experience in the trade sharpens a scholar's connoisseurship.²⁹⁶ This notion has been considered by Bourdieu, who stated that the mastery needed to grasp works of art is mostly acquired by contact with works of art and that it takes place through implicit learning and generally remains at a practical level.²⁹⁷ Experience then can be further supported by education, which encourages the experts to do research and offers access to more comprehensive libraries and documentation systems.²⁹⁸

The competence of an expert is a product of experience and history reproduced by education. As a person can have competence in several tasks, it is relevant to distinguish formal competence demonstrated by education and certificates from real, apparent competence.²⁹⁹ The education through which experts receive recognition is important for the expert in art, but so is the potential ability to "distinguish and discriminate between subtle and not so subtle differences within an artistic oeuvre," as described by Arora and Vermeylen.³⁰⁰ Generally, in the art business, this apparent competence often overrides formal competence. The problem here lies in the core of transparency, as, even to these experts, performing professional appraisals of art, the criteria that define the stylistic properties of the typical works on which all their judgments are based usually remain implicit.³⁰¹

Moreover, in their study on the contemporary art market, Uusitalo and Jyrämä stated that, in addition to their knowledgeability, the outside habitus and social network of the art market players are often taken as an indicator of their acquired competence.³⁰² Therefore, it should be noted that social acclamation; in other words, being recognized by colleagues gives legitimacy to the expert. Such social acclamation can be acquired through institutional linkages. Moreover, what should not be overlooked is the role of consensus that is also obtainable through networks. As noted by Arora and Vermeylen:

"If a clear majority of the recognised experts agree that a particular painting is a genuine Rubens, the broader art community – not least the buyer – tend to follow suit."³⁰³

²⁹⁴ Becker and Murphy 2000, 79.

²⁹⁵ Yeide et al. 2001, 1.

²⁹⁶ Duparc 2004, 41.

²⁹⁷ Bourdieu 1984, 4.

²⁹⁸ Duparc 2004, 42.

²⁹⁹ Westerholm 2007, 25; Helakorpi 2005, 58, 62.

³⁰⁰ Arora and Vermeylen 2012, 8-9.

³⁰¹ Bourdieu 1984, 4.

³⁰² Uusitalo and Jyrämä 2008, 62.

³⁰³ Arora and Vermeylen 2012, 8.

As illustrated by the sociology of arts, in the art world the judgments on aesthetic qualities are based on social processes. In these social processes art market players such as producers and sellers, experts and journalists, industry associations, marketing specialists, and consumers participate in constructing the qualities of products. From the consumer point of view, the outcomes of these judgments are contingent and inherently uncertain, as stated by Rössle and Beckert.³⁰⁴ Thus, by consumer standards, buying art is risky.

2.3.3 Uncertainty and legitimacy in the art market

Generally, uncertainty can be detected in markets with information asymmetries or indeterminacy in the quality of the products traded. As well, the market can contain products assessed partly or completely based on symbolic qualities. These markets lack stable criteria for quality judgments, which are crucial in the market for contemporary art where the supply is potentially unlimited and the estimation of art values is implicit. By contrast, in the tertiary art market, supply is theoretically limited, and most importantly, the art values are quantified during the artwork's life cycle in the art market.³⁰⁵ However, these facts are not enough to exclude uncertainty from this art market sector as uncertainty can only be reduced.³⁰⁶

Accordingly, in the consignment process, the assessment of presale estimates and the factors on which they are based have for long remained somewhat opaque to the public. Customers in the art market are confronted with uncertainty due to this lack of transparency and the difficulty of determining quality and predicting the price themselves.³⁰⁷ The role of the player in formulating the judgments should not be overlooked. As argued by Rössle and Beckert, the reputation of the actor stating the judgment significantly influences in the assessment of product quality. Following Bourdieu, this reputation is derived from the actor's status and power in the field.³⁰⁸

The relevance of a quality judgment can be measured through its impact on the sales volume, prices, and market reputation of the product. The risk of uncertainty lies in opportunities. Market situations in which it is impossible for the buyer to determine the quality during the sale open up further possibilities for deceit and opportunism, as demonstrated in the case of the Russified paintings. It is during such exchange situations that legitimacy becomes active.³⁰⁹

As stated, uncertainty in quality judgments draws attention to the concept of legitimacy. As proposed in earlier research on stakeholder theory, to define

³⁰⁴ Rössle and Beckert 2012, 1-5; Beckert and Rössle 2004.

³⁰⁵ Moulin 1994, 6.

³⁰⁶ Grampp 1989, 124.

³⁰⁷ Beckert and Rössle 2004.

³⁰⁸ Rössle and Beckert 2012, 7; Bourdieu 1984.

³⁰⁹ In his study. Kollock uses the market for rubber as an example case for such exchange situations. Kollock 1994, 314.

legitimacy, I follow the proposal by Max Weber that legitimacy is an attribute that can create authority when combined with power.³¹⁰ Suchmann has offered a more inclusive definition:

“a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.”³¹¹

Mitchell et al. define legitimacy as general acceptance, desirableness, propriety, and appropriateness.³¹² Emphasizing the psychological aspect³¹³ of the concept, Jyrämä and Morel state that legitimacy ensures that the actions by an entity, such as an auction house or a commercial art gallery, are understandable to others.³¹⁴

Suchman further distinguishes between strategic and institutional approaches to legitimacy, of which the first falls in the scope of the present study. The strategic approach adopts a managerial perspective and gains support from instrumental manipulation of an organization’s actions and symbols. Managerial action can make a difference in the extent actions are perceived as desirable, proper, and appropriate within a given cultural context.³¹⁵ However, once actions have been so understood and perceived, legitimacy has to be continuously re-created in social interaction, because legitimacy is not something constant or permanent. Due to the dynamic nature of legitimacy, its role in the actions of mature firms warrants review.³¹⁶

In this study, legitimacy is understood as status in markets larger than local ones. For example, a painting attains legitimacy when a larger set of collectors share interest in buying it. Potential buyers are reassured by the knowledge that the work has been sold and written about in a wider social context. According to Plattner, the larger the set of people who know about the work, the more likely the buyers are able to share and increase their own enjoyment. The concept of legitimacy points to two aspects of the economic value of art: the current price and the resale potential.³¹⁷

Buying and selling through an auction can be seen as an effort to acquire legitimization and justify a transaction. According to Smith, selling through a dealer might entail interpersonal uncertainty rather than value uncertainty, which necessitates the legitimating function of an auction. However, selling through auction could also be a means to protect oneself from criticism. For sellers, an auction house works as their representative who possesses the knowledge and organization necessary to maintain their position of control.³¹⁸

³¹⁰ Mitchell et al. 1997, 866; Suchmann 1995; Weber 1947, 1978.

³¹¹ Suchmann 1995, 574.

³¹² Mitchell et al. 1997

³¹³ Harisalo and Stenvall 2003.

³¹⁴ Jyrämä and Morel 2009.

³¹⁵ Suchman 1995, 572, 585-586; Luoma-aho 2005a.

³¹⁶ Jyrämä and Morel 2009; Schuman 1995

³¹⁷ Plattner 1998, 488.

³¹⁸ Smith 1989, 89, 140.

Considering the art market game, it is the auctioneer's role as an expert, agent, and market middle-man to convert the intangible value of a work of art into a valid economic value and, further, to determine the price that the potential buyer will be willing to pay for the art object. Thus, as agents auction house experts possess taste and knowledge about the value and appreciation of the art works. Accordingly, they have insight into the market forces that potentially determine price differences between artworks and the factors that affect interest in the works and, hence, the buyers' willingness to pay a certain price.³¹⁹ As experts, auction house experts should also possess know-how about both the aesthetic and ethical considerations involved in the appreciation of art works. Generally, this study, conceives of auctions as institutions that maintain communities of interest and trust and establish the legitimacy of value determination through the competence they represent in the art market game.³²⁰

In addition, the association between quality assessment and status attainment should be considered.³²¹ Writing on status dynamics in contemporary art market, Yogev defines status as "the degree to which the market members can influence the social definition of what is perceived as high-quality products."³²² Status attainment is best described as a process by which players aim to gain returns in their socioeconomic standing, which is the personal and social resources attached to occupied positions.³²³ In the art market this status is sought after character and the entitlement to it remains to be discussed.

Following Plattner, questions are raised about the role of the auction catalogue and media coverage in the strategic management of an auction house, because these publications offer a broad view of the visibility of the objects consigned to an auction. For the purpose of this study, uncertainty and legitimacy are considered components in the management strategy and are reviewed further in the third discussion chapter on the managerial implications.

2.3.4 Tools used in art appraisals

For an expert to conduct an appraisal for a work of art, the object has to be attributed because the value of a painting is highly dependent on its attribution, and the value of the painting changes when its attribution changes. This is applicable both for a painting's market value and for its merit from the aesthetic point of view.³²⁴ Other factors considered to impact the appraisal of a painting in the tertiary art market include the macroeconomic situation, prevailing taste, competitive circumstances in the art market, art historical appraisal of the artist, presence and price trends of the artist, nationality of the artist, provenance, state of preservation, format and motive of the art work, and investor and dealer

³¹⁹ Becker 1984, 109, 115; Plattner 1998, 488-490.

³²⁰ Smith 1989, 132.

³²¹ Yogev 2010,

³²² Yogev 2010, 513.

³²³ Lin, 1999, 467.

³²⁴ Grampp 1989, 130.

collaboration to promote an artist.³²⁵ Attribution is carried out by constructing a history of the painting's ownership and art historical analysis with the help of expert collaboration described in detail in the following.³²⁶ In the context of the tertiary art market and in light of the above, the focus on the signature in evaluating the price of a work of art is underlined.³²⁷

The study of the history of the ownership of an artwork, its provenance, has strengthened its role alongside the denser occurrence of problems in establishing the authenticity of the artworks in the art market. As for the importance of provenance study in the art market, it should be noted that relevant documentation on the transfer of an artwork from one owner to another presented through provenance can, for example, establish the legal ownership of an artwork. The question of provenance is also attached to the problematic case of "burned" paintings. The fact that a painting was sold in the market ten years ago or even recently does not have to be a negative factor if the provenance is otherwise impeccable. However, the fact that the consignee attempts to sell a recently bought painting for profit might have an impact on the painting's attractiveness in the market and the painting can turn into a burned one. This means that there will be doubts about the authenticity and/or other characteristics of the painting, and it loses its pull in the market. It was argued by Ashenfelter whether paintings really are burned. According to Ashenfelter, this definition can be considered a "fiction invented to encourage sellers to be satisfied with lower estimate prices." A comparative phenomenon can, however, be detected in the market for contemporary art, as demonstrated by Robertson; if a painting is dropped from the market by a distinguished dealer, lesser dealers will be reluctant to take them for sale.³²⁸

Tools used in the study of provenance can be, in short, described to include examining the artist's production in general, literature on the artist, and information from the artist's family and previous owners of the painting. The two mentioned last rarely turn out to be specific or precise enough to be useful and are often available only under certain limitations. Ownership can, however, be determined also through secondary sources such as catalogue raisonné, exhibition catalogues, scholarly articles, annotated auction sales catalogues, and dealer advertisements in periodicals. Previously, provenance study was associated with the responsibilities of museum curators. Today, it is an issue that also concerns individuals outside the museum profession. This development has been enhanced by the growth in the use of online sources and by the availability of records in general.³³⁰

Accordingly, as the information value of the provenance of consigned artworks has risen, managing the information associated with a work of art requires records. In her examination of the impact of records on the value of

³²⁵ Fritzke 2008, 226, 229.

³²⁶ Becker 1984, 114-115.

³²⁷ Sagot-Duvaurox 2003, 58.

³²⁸ Ashenfelter 2003, 35. Director and curator Anders Bengtsson interviewed by the author 28.2.2006; Robertson 2005, 240.

³³⁰ Yeide et al. 2001, 1.

artworks, Leena Fritzke from the European Central Bank stated that records of provenance, investment, and authenticity clearly support the value of artworks. Thus, as demonstrated by Fritzke, good record-keeping reduces risk, improves transparency, supports the value attained, and increases in importance as the financial value of art climbs.³³¹ The same conclusion was reached by Roger McCain, who concluded that, for example, in the case of old master drawings, well-documented objects are likely to reach higher prices owing to the evident ownership.³³² Although provenance further assists in constructing the history and taste of collecting art and provides insight into the culture, these aspects are framed outside the boundaries of the present study.³³³

2.4 Theoretical considerations of the art market

The theoretical starting point for the present study remains the same whether the objects sold on the market are considered sets, utility goods, culture, or services. Tertiary market provides these goods a context in which they are traded according to their special requirements. Significant for such markets is the taste cultivation property, as past consumption has a positive effect on current and future consumption decisions.

Artworks as commodities are dual in nature, as the utility of these commodities can be found in a return from their appreciation in value over time but also in the form of enjoyment, pleasure, instruction, enlightenment, or inspiration, in addition to investment, sociability, approval, status, and power. Thus, describing and appreciating an artwork includes various cultural value characteristics such as aesthetic value, spiritual value, social value, historical value, symbolic value, and authenticity value. Moreover, it requires expertise, which is an essential component of any value assessment.

An artwork becomes a commodity by entering the art market and is further objectified during the consumption process. In this process, the quality of the artworks is revealed first after they have been consumed to fulfill higher wants. As the art business is multirational, the consumption is governed not only by aesthetic but also by commercial considerations. Considering the expression of worth in the field of art, art objects are traditionally evaluated for the intrinsic and cultural value they possess and for their standing on a hierarchy where they are appraised for their technical, intellectual, and thematic value. Regarding commercial considerations, consumer choices can be used as evidence that various products are of value. Accordingly, the economic value of an artwork in the market lies in what a buyer is willing to pay for it.

When discussing the investment aspects of art, it should be considered that the decisions of investors often follow the quality judgments of

³³¹ Fritzke 2008, 221-222.

³³² McCain 2006.

³³³ Yeide et al. 2001, 1, 9.

professional experts. This is to ensure a gain on resale value, as experts obtain a perspective both on the standing of the artwork in a hierarchy and on the demand side of the art market. The stability of experts' judgments helps art objects to maintain their resale value longer, arguably for longer periods than, for example, bonds and obligations. Accordingly, wisely chosen artworks can sometimes appreciate even more than more conventional alternatives.

In the following chapter, my goal is to create a context in which the consignment process of Russian paintings and the role of social capital as a strategic tool in this process can be studied. After the introduction to the characteristics of the tertiary markets for Russian art, I will concentrate on those markets located in Finland and Russia. I will then move on to discuss the rules regulating these markets. Finally, I will explore a case of Russified paintings. This case elucidates the challenges during the consignment process of Russian art as well as the negative effects of social capital.

3 TERTIARY MARKETS FOR RUSSIAN ART - THE FRAMEWORK FOR MANAGING SOCIAL CAPITAL

3.1 Characteristics of the tertiary art markets

The largest shares of the global art market are distributed between the United States and Great Britain. Accordingly, the traditional trading place for old master paintings and more valuable foreign art has been the tertiary art markets first in London then New York dominated by Sotheby's and Christie's. From the historical point of view, some geographical shifts have occurred between the markets caused by the reallocation of economic power and wealth. Moreover, economic changes have periodically brought new teams of players to the market. For example, due to the global prosperity and the popularity of the art trade in the 1980s, the international art market entered a boom period in the late 1980s. During this boom, the art market was occupied in particular by Japanese buyers.³³⁴ Accordingly, the demand was largely fuelled by tax considerations and the inflation-induced building of wealth in property. In addition, the yen had appreciated strongly against the dollar. The art boom saw its end in 1990, and following the international two-year low, the art market steadily regained strength.³³⁵ Since the beginning of the 1990s, after the boom and crash, the art market has seen a steady incline in the index. Moreover, as the art market is linked to economics and political events, events such as the September 11th, 2001, terrorist attacks also have their effects on the art market, in this case in the form of a brief negative turmoil.³³⁶

What should not be overlooked are the effects of the late 2000s recession and the global financial crisis and the effects of the economic downturn on the art market. Accordingly, several points of view can be found regarding such

³³⁴ This can be considered an indication of the internationalization that took place in the art market.

³³⁵ McAndrew 2009, 9, 13, 16, 18-19.

³³⁶ Robertson 2005, 34, 59-60.

effects on the international art market, as pointed out by Cristina Manasse in a paper presented at an IBA conference on art, cultural institutions, and heritage law in 2009:

1. The art market is affected by the economic downturn, but there are still new purchasers entering the market who are doing well and will thus remain a reasonable interest.
2. The time of the economic turndown can also be considered a good time to buy, as collections can be found that are sold with lower initial prices.
3. The art market has been profoundly affected by the economic downturn, as buyers cannot afford the prices after the increases of the last several years. Consequently, the lack of demand means that prices are dropping fast.

According to Manasse, as a follow-up phenomenon to the crisis, particularly on the supply side of the fine art auction business, auction houses have decreased the number of items to be sold. Moreover, the auction houses are advising consignors to set lower initial prices, and further, auction houses use digital catalogues, which makes it possible to cut operating expenses. Finally, auction houses are turning to reliable collectors who continue to expand their collections. All in all, the ending point offers the most interesting aspect of the effect of the economic downturn on the art market from the point of view of the future focus of the present study: the potentiality of creating long-term customer relations with the buyers. Overall, the breadth and depth of the economic crisis is changing the art market. Considering the international art market today, the Russian art market can be considered to be in a standby position, together with other emerging markets such as China and the Middle East.³³⁷

Since 2000, of the emerging markets, the tertiary market for Russian art has acquired extensive attention globally as a result of the ascending level of prices and competition for market shares. Along with the growth in demand, changes in the market for Russian art can be detected, as there have been new auction houses entering the market. For example, in 2006, the British auction house Bonham's started to compete in the market share for Russian art together with the newly established MacDougall's.³³⁸ Furthermore, in Scandinavia, Uppsala Auktionskammare entered the market to compete with Bukowskis and Stockholms Auktionsverk in the market for Russian art in Sweden. Also the Finnish art market joined the global development and entered the boom for Russian art in the first decade of the 21st century.

³³⁷ Manasse 2009.

³³⁸ Nazarevskaya in *Antiq.info*. 18.7.2006.

3.2 Art markets in Finland and Russia

In Finland, art life in general has developed over a long period without a market or mass public. In fact, the modern art system started to develop in Finland a hundred years later than in the central European countries.³³⁹ For example, until the late 1970s, no fine art auctions took place in Finland in the sense that we define them today, as the auctioneers owned the objects instead of selling them by consignment. In comparison, throughout the 1970s, London had a premier position in trade for sectors such as old masters and Asian antiques, while New York was the center, for example, for contemporary and impressionist art.³⁴⁰

In the development of the Finnish art system, the 1970s was characterized by the growth of radio and television into a notable intermediary of services related to art. 1979 can be considered a turning point in the history of the Finnish auction business. At this point, the Swedish auction house Bukowskis opened their filial in Helsinki and held their first auction.³⁴¹ In the first auctions audience acted carefully, there were no rules of conduct how to behave in an auction. When people got used to the idea of auctions, they overrode specialized galleries in the market for classical art.³⁴² The larger opening of the art system started in Finland from 1990s onward. This meant, among other things, a more positive attitude toward market-based operations.

At the beginning of the 21st century, the growth of the market, in general, took a modest path, as the art market was recovering from the effects of the economic depression of the late 1990s.³⁴³ During this phase, there were two large, internationally comparable and renowned auction houses operating and competing for Finnish and international customers, namely Bukowski-Hörhammer, the merger of Galerie Hörhammer and the Swedish auction house Bukowskis and Hagelstam Auctions. However, in 2005, the merger agreement of Bukowski-Hörhammer came to an end due to managerial discord, and the Swedish Bukowskis started to operate in the Finnish art market through Bukowskis Helsinki. Furthermore, both Huutokauppa Helander and Apollo Auction operate in the Finnish tertiary art market in Helsinki. In addition, both of the largest European auction houses Sotheby's and Christie's have representatives in Helsinki, as does the Swedish auction house Uppsala Auktionskammare.³⁴⁴ In the light of the development of the Finnish fine art market and, in particular, the branch of Russian art, the Tampere-based Tampereen huutokauppakamari has also entered the business.

Considering the market for Russian art, Finland has seen a remarkable growth in its share of the international market. Since 2000, the sales in Russian

³³⁹ Sevänen 1998, 273-274.

³⁴⁰ McAndrew 2009, 18.

³⁴¹ Chairman of the board Wenzel Hagelstam interviewed by the author 13.11.2006.

³⁴² Tervo 2003, 96.

³⁴³ Uusitalo and Jyrämä 2008, 57.

³⁴⁴ Sevänen 1998, 371.

oil paintings in Finland increased from under 300 000 euros to the record level of nearly 3 500 000 euros in four years. In 2005, the sales stayed around 1 400 000 but started to rise again in 2006.³⁴⁵ Figure 3 indicates the sales of Russian paintings in the Finnish art market from 2000 to 2008 and presents the correlation between the sales and average lot value. A graph indicating the same factors in the market for Russian art in Christie's and Sotheby's from 2000 to 2008 can be found in Mc Andrews publication on the globalization of the art market thus providing a possibility for comparison between these auction houses.³⁴⁶

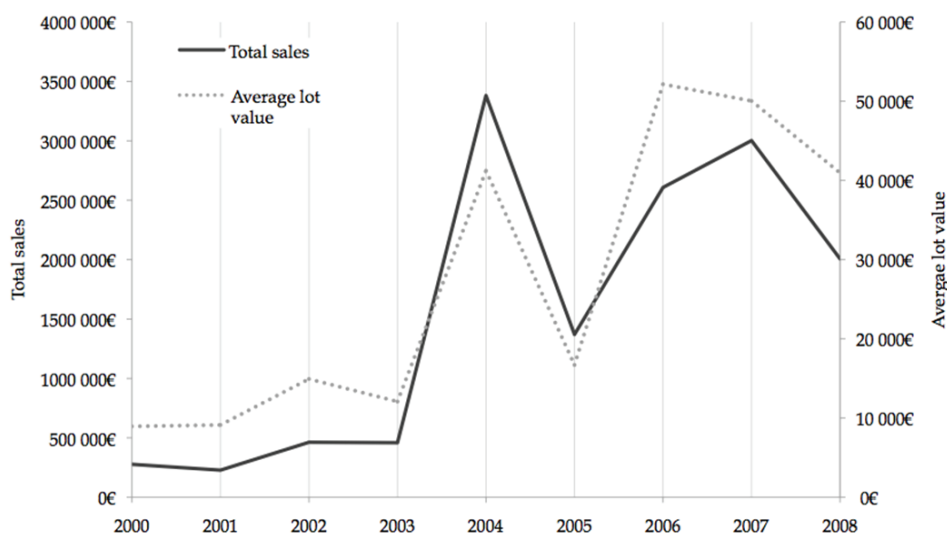


FIGURE 3 The total sales and average lot values of Russian oil paintings at Bukowskis' and Hagelstam's auctions from 2000 to 2008.

The Finnish art market has often been referred to as a good place to sell Russian art due to geographical and historical factors. This aspect has been utilized, for example, in auction house marketing strategies. As each local market has its own demand area that might also include buyers from other places, Russia can be considered a distant hinterland for the local Finnish art market.³⁴⁷ Accordingly, geographical closeness to the Russian market has made it easier for buyers to attend auctions. The role of Finland as a center for Russian trade is also considered to reflect the countries' common history. Controversially, Russian art is a genre long disdained in Finland, partly because of historical aspects. It can be questioned, why Russian art, then, suddenly came to be

³⁴⁵ VAT and the buyer's premium are not included in the calculations. Bukowski-Hörhammer's, Bukowskis' and Hagelstam Auction's auction catalogues from 2000 to 2008.

³⁴⁶ Ma Andrew 2009, 122.

³⁴⁷ Plattner 1996, 9.

appreciated in the Finnish art market? In general, reasons behind such revival are difficult to find. As suggested by Richard Dorment, the process usually starts with a small circle of dealers, scholars, and collectors who take the risks and buy the pictures that seem unfashionable or unfamiliar. The earliest stage in such a revival occurs when works of art are exchanged through a dealer or in an auction house.³⁴⁸ However, what should be noted here is the fact that most of the buyers in this market were of Russian descent. Thus, the development of the Russian art market in Finland is not to be regarded as a revival as such. Moreover, as stated by one of the Finnish informants, for example, Denmark and Russia actually had closer relations because of historical factors in the 19th century, when most of the art objects auctioned today travelled west from Russia.³⁴⁹

The change in the Finnish art market started to occur in 2002–2003 as attending auctions became popular in Russia.³⁵⁰ In the first decade of the 21st century, the yearly sales of Russian paintings in the Finnish fine art auctions grew from under 300 000 euros to over 3.4 million euros in four years. However, it should be noted that the interest towards Russian art in Finnish fine art auctions was observed already in the late 1990s.³⁵¹ This trend attracted consignors of Russian art to the Finnish auction houses. Table 5 shows this increase in the market. The number of consigned oil paintings increased from 38 lots to 66 lots during the period under study with a peak of 113 lots in 2005. Moreover, during the period under study, the market has changed, as a growing number of paintings have been entering the market from dealers, and some of the paintings have recently been auctioned elsewhere. The market has also been affected by the Russification tangle, discussed in Chapter 3.3. As a result of the fact that 19th-century landscape pictures include so many works with doubtful authenticity, the prices of paintings by certain artists are likely to have remained stable.³⁵²

TABLE 5 Consignments and sales of Russian oil paintings at Bukowskis' and Hagelstam's auctions from 2000 to 2008.

Year	Supply lots	Sold lots	Percentage sold	Total sales
2000	38	31	82 %	277 503€
2001	31	25	81 %	228 204€
2002	35	31	89 %	463 000€
2003	47	38	81 %	459 220€
2004	110	82	75 %	3 381 050€
2005	113	82	73 %	1 370 210€
2006	69	50	72 %	2 607 550€
2007	80	60	75 %	3 002 300€
2008	66	49	74 %	2 007 000€

³⁴⁸ Dorment 2004, 53

³⁴⁹ Antique dealer Bernt Morelius interviewed by the author 8.5.2006.

³⁵⁰ Entrepreneur Nelli Smirnova interviewed by the author 25.4.2006.

³⁵¹ Hautala in Taloustaito 1997, 16.

³⁵² Art specialist Alexandr Kuznetsov interviewed by the author 16.8.2006.

Regarding the average price of Russian works of art, the total increase in the international market since the beginning of the period to the end of 2007 was 352%. Of these works of art, the prices for 19th and 20th century paintings have reached nearly a million dollars, a level not often broken before in this market sector. Accordingly, they have also represented the highest-value sales at auction.³⁵³ This price premium in the market has been explained by a process in which small differences in quality have been magnified by the social market. Accordingly, Russian paintings that have gone through such a process are wanted both for their characteristics and for their ownership. The increased demand has further conditioned the prices of the paintings favored by collectors who are considered leaders in their field.³⁵⁴

In comparison, the total increase in the average price of Russian paintings during the same period in the Finnish market was 559% (Figure 3). The time period includes a number of exceptional individual price developments. In 2004, a painting depicting a view of the Moscow Kremlin by Petr Petrovich Vereschagin (1836-1888) was sold for a hammer price of 580 000 euros, 530 000 euros higher than its estimate. The painting measured 54 by 90 centimeters and was granted a certificate of authenticity by Vladimir Petrov. According to the catalogue text an illustration of this painting was found in Th. Bulkakov's *Our Artists* published in 1890.³⁵⁵

Analyzing the annual sales in this market, 2006 indicates the greatest average value per lot of the years under focus. For example, at the Bukowskis international auction on May 17th, 2006, a record price was reached by the sale of Ivan Ivanovich Shishkin's (1832–1898) *Forest Trail*, presented in Figure 4. The oil painting measured 105 by 70 centimeters and was signed in 1895. As stated in the catalogue text, the painting was granted a certificate of authenticity by G.S. Churak, head of the Department for Paintings at the State Tretyakov Gallery. Estimated to be worth 400 000–500 000 euros, the painting reached a hammer price of 550 000 euros.³⁵⁶

In December 2006, a record price was again achieved with a painting by Shishkin, this time *Forest Trail at Twilight*, valued at 550 000–650 000 euros and sold for 710 000 euros. This oil painting measured 160 by 123 centimeters and was signed 1896. Thus, the sales of these two paintings explain the high average values per lot during Bukowskis' sales in 2006.³⁵⁷ In comparison, in Hagelstam Auctions' international auction in December, the highest bid, 190 000 euros, was given for the oil painting *A Forest Path*, by Julius von Klever (1850–1924).³⁵⁸

To compare, the portion of Russian art has also redoubled in the Swedish art market. For example, in Uppsala Auktionskammare's sale on June 4th, 2006, the Russian department achieved sales of 9 982 055 euros with the highest

³⁵³ McAndrew 2009, 120-121, 124-125; Vilkov 2012, 112.

³⁵⁴ Becker and Murphy 2000, 77, 79; Rosen 1981.

³⁵⁵ Bukowskis auction catalogue 115.

³⁵⁶ Bukowskis auction catalogue 128, 113.

³⁵⁷ Bukowskis auction catalogue 132, 109.

³⁵⁸ Hagelstam Auction's auction catalogue K111.

record at 1 502 916 euros.³⁵⁹ The painting that reached the highest hammer price was a marine painting by Ivan Constantinovich Aivazovsky (1817–1900). The painting, demonstrated in Figure 5, had an estimated value of 338 177–450 946 euros and was sold for 1 307 743 euros.³⁶⁰



FIGURE 4 Catalogue illustration for the painting *Forest Trail* by Ivan Shishkin. Source: Bukowskis auction catalogue 128, 113. Photo: Anna Hjorth-Röntynen.



FIGURE 5 Catalogue illustration for the painting *European Squadron East of Crete in the Mediterranean* by Ivan Aivazovsky. Source: Uppsala Auktionskammare auction catalogue 4.6.2006, 41. Photo: Anna Hjorth-Röntynen.

³⁵⁹ In the article, prices in SEK were stated as 89 000 000 and 13 400 000. Ekbom in *DI* 7.6.2006.

³⁶⁰ The estimate was stated in SEK as 3 000 000–4 000 000 and the hammer price as 11 600 000 SEK. Uppsala Auktionskammare auction catalogue 4.6.2006.

The growth of the market for Russian in Finland, or the factors that have affected the growth of the market, has not been as well-discussed internationally. This is because despite the increase in markets share, the level of prices in general has been lower than in the international markets.³⁶¹ This is based on the theoretical aspect that the price of the same artwork can vary depending on time and space.³⁶² The general consensus is that the lure of the Finnish market for Russian art during the period under study was that the Russian customers felt that they were getting bargains.³⁶³ This bargaining is considered closely connected to the concept of competence and the role of expert networks: the less competent an auction house is and the less expertise it uses, the greater the possibility there will be of finding a bargain.

The associations with the Russian art market are considered various in Finland. According to the data collected through the interviews, Table 6 shows that the two most common phrases used to describe the Russian art market were market bubble and explosion of the art market. Interesting are also the phrases “Finland as a centre for Russian art” and “Prejudice towards Russianism in Finland” both referring to the geographical and historical closeness of Finland and Russia. (Table 6)

TABLE 6 Phrases used to describe the Russian art market.

Associations with the phrase “Russian Art Market”	Total answers
Market bubble	3
Explosion of the market	3
Alertness	2
High prices	2
Threats	1
Buying power	1
Finland as a center for Russian art	1
Development	1
Lot of work	1
Competence in Russian language	1
Masters	1
Opportunities	1
Prejudice towards Russianism in Finland	1
Grand Total	19

The problem of expertise on Russian art that has been emphasized along the explosion of the market seems to culminate in the scarcity of research and reference material on Russian art in Finland. Therefore, concerning sales of art

³⁶¹ As demonstrated in Pesando’s study on modern prints, prices are much higher in the United States than in either London or Europe. Furthermore, prices are higher in London than in the rest of Europe. However, it should be noted that the material used by Pesando ranged from 1977-1992; thus, the influence of the Internet was not yet present to the extent it is today. Pesando 1993.

³⁶² Sagot-Duvaurox 2003, 59.

³⁶³ Erkkilä in *TAS* 26.4.2002.

from a different cultural context, the greatest and the most important task for an auction house would be to create a network of experts.³⁶⁴

Surprisingly, the art market in Russia represents a relatively small share of the global art trade, less than 2%. However, Russia has made a great impact on the global art market.³⁶⁵ The formation of the art market in Russia can be traced back to the 1980s, when the first private Russian auction houses and galleries were formed. For example, the antiques and auction house Gelos, the largest auction house in the Russian market, started operating in 1988 on a permanent basis. The Sotheby's sale of Avant-garde and Soviet art in 1988 in Moscow can be considered a turning point in the domestic art market in Russia, as it received significant encouragement from the Russian Ministry of Culture. However, the financial crisis of 1998 resulted in closing many of the galleries and the decline of the art trade. In 2000, the market started developing practically anew, and it was not until about 2003 when the Russian art trade was revived.³⁶⁶

Since 2000, the art market in Russia has undergone deregulation alongside the lessening of other tax burdens. However, there are relatively few tax breaks related to art ownership.³⁶⁷ The founding of funds and trusts has also been interpreted as a sign of economic growth affecting the art market. There is no consistent information on the value or volume of art sales in Russia, as the few existing auction houses do not publish full information on their sales on a consistent basis. This lack of transparency might be a reason that, unlike other markets, auctions within Russia have not established a popular outlet for sales of art. In addition, the fear of fakes, problems of provenance, and taxes add to this unpopularity. Moreover, domestic sales in Russia are overshadowed by global sales of Russian art.³⁶⁸

In addition to the development of the country in which the market is located, the stage of the development of the country from which an object originates has a bearing on the object's value, as the correlation between economic, social, and cultural capital is contentious.³⁶⁹ The common impression is that the present market for Russian art has developed largely on the basis of the capital of the new class of wealthy individuals, and indeed, the emergence of new buyers in the international art market is driven primarily by economic factors, and from 2000 to 2008, the economic growth rate in Russia has averaged over 7%.³⁷⁰ This has given birth to this new class of wealthy individuals, as with increasing national income comes greater consumption. In addition to buying art, the newly rich in general also buy other things they did not consume before or did not consume as much. This includes education, travel, and other services that have an effect on taste and luxury goods.³⁷¹ The influence of millionaire

³⁶⁴ Chairman of the board Wenzel Hagelstam interviewed by the author 13.11.2006.

³⁶⁵ McAndrew 2009, 116.

³⁶⁶ Russian Finance Report 2004; McAndrew 2009, 118-119.

³⁶⁷ Russia – Twenty Years after Perestroika 2005; McAndrew 2009, 141.

³⁶⁸ McAndrew 2009, 120-121.

³⁶⁹ Robertson 2005, 15-17.

³⁷⁰ McAndrew 2009, 22.

³⁷¹ Grampp 1989, 75; McAndrew 2009, 23.

Russian art collectors in the art market has been said to inflate art prices in several sectors of the market and buoy trade, but it has also made the market produce unrealistic prices at auctions.³⁷² This is partly due to the fact that the demand for works of art with a given fixed supply will be enhanced when consumers of these objects are wealthy or, for example, renowned for their achievements as businessmen.³⁷³ Thus, it can be concluded that the growth in the group of Russian customers is influenced by their social environment as well as by correlated effects expressing a non-social phenomenon such as government deregulation.³⁷⁴

Russian authorities have further encouraged this tendency. This aspect was illustrated in an article in the British newspaper *Telegraph* in which Anatoly Ivanovich Vilkov, Head of the Department for the Preservation of Cultural Heritage in the Ministry of Culture of the Russian Federation stated:

“Let private collectors acquire paintings. We have to do everything possible to ensure that they return to Russia.”³⁷⁵

In 2004, in an article in the Russian newspaper *Kommersant*, dealers’ thoughts on art as a new investment opportunity were stated as follows:

“Owners of antique galleries believed that even if oil prices would have stopped growing, prices for antiquities would go on raising 15% a year.”³⁷⁶

This growing group of wealthy Russian collectors and investors also acquire art from other categories, such as Impressionist, modern, and contemporary but their focus has mainly been classical and realist Russian art from the 19th and 20th centuries. This is considered a genre that the collectors are familiar with.³⁷⁷

This genre is however less familiar to the experts working for auction houses elsewhere than in Russia. The fact that there has been detected a large quantity of Russified paintings entering the market has not made the attribution process less challenging. In the following, a case of “Russified paintings” is discussed to illuminate the challenges the experts in this field are confronting and to further underline the role of social capital in external knowledge acquisition required in fine art auction business.

³⁷² McAndrew 2009, 135.

³⁷³ This is one reason that famous people use intermediaries to bid for them in auctions to avoid the increase in interest in and, thus, the price of the object they desire. Becker and Murphy 2000, 76.

³⁷⁴ Manski 2000, 127.

³⁷⁵ Bennett in *The Telegraph* 13.1.2004.

³⁷⁶ Russians Find New Investment Opportunities in *Kommersant* 25.8.2004.

³⁷⁷ Curator Knut Knutson interviewed by the author 14.2.2006.

3.3 The case of Russified paintings

3.3.1 Illegal markets

As part of the international economy, markets are also faced with negative effects of the development of the information society. In the illegal markets, the underground economy is enabling more efficient and global action producing estimated annual revenues surpassing one trillion dollars.³⁷⁸ In their recent article “In the shadow: illegal markets and economic society”, Jens Beckert and Frank Wehinger define these markets:

“Markets are illegal if the product itself or the exchange of it violates legal stipulations.”³⁷⁹

Like legal markets, illegal markets come to existence when there is supply and demand for the goods offered. Further, for the illegal market to exist, there has to be an expected profitability for the supplier. In addition, the suppliers must be willing to put their reputation at stake and to be ready to overcome the fact that they are associated with the illegality of their activities. What makes the role of illegal markets interesting from the point of the present study is that suppliers in illegal markets try to reduce uncertainty by creating reputation through social networks. The goods exchanged in these markets include counterfeit goods are typically produced to be sold. What gives them a special character is that they are not necessarily exchanged on a distinct market – they can be fraudulently sold through instances that otherwise operate legally, for example through auction houses.³⁸⁰

The consequences of described operations are not an exception in the market for art. Characteristics that expose art market for illegal operations are the difficulties in assessing quality and value of art and the absence of quality assurance mechanisms in this market.³⁸¹ Although the subject of counterfeit goods, fakes, and forgeries³⁸² fall outside the scope of the present study, the following case of Russified paintings offers an interesting aspect of the market for Russian art: the lack of quality assurance mechanisms in the art market also has its effect on the operations on the illegal markets for Russian art. Further, the following discussion of Russified paintings will demonstrate what the experts in the tertiary art market are challenged with during the presale estimation process and what effects these challenges can have in creating, maintaining, and losing social capital during the consignment process. Moreover, it should be noted that, even though I am conscious of the close

³⁷⁸ Beckert and Wehinger 2013, 6.

³⁷⁹ Beckert and Wehinger 2013, 7.

³⁸⁰ Beckert and Wehinger 2013, 5-13.

³⁸¹ Beckert and Wehinger 2013, 13.

³⁸² In the context of the present study, the concepts of fake and forgery are used to describe objects that are made in imitation of genuine artworks to deceive people and passed on as originals.

relation of social capital, money laundering, and the subject under discussion in the present chapter, this aspect is left for future study.

3.3.2 Catalogues of fraudulent art

In 2005, the owners of the Russian Collection gallery were arrested in Moscow. This episode has been considered the culmination of the first phase of the case concerning the so-called Russified paintings.³⁸³ Previously, in 2004, a well-known and acknowledged expert of 19th-century Russian art, Vladimir Petrov, opened a discussion in the media on the results of his investigation, concluding that 120 paintings, mainly by European artists, could be shown to have been retouched to resemble Russian paintings. Most of the Russified paintings were then consigned to auction houses abroad and sold at a notable profit as authentic paintings by Russian masters with certificates of authenticity written by Russian authorities. The detection of such Russified paintings in the art market raised attention in Russia and in the international art market. One of the first examples that gained attention in the media was the case of the painting called *Landscape with Brook*.³⁸⁴



FIGURE 6 The painting by Marinus Koekkoek before Russification and after, signed as if by Shishkin. Source: Leigh and Borisova in *The Guardian* 10.7.2004.

The painting was consigned with an estimated value of £550 000–770 000 in May 2004 at Sotheby's in London.³⁸⁵ According to the catalogue text, the painting was attributed to Ivan Shishkin. There was also a written certificate

³⁸³ Akinsha in *ARTnews* January 2006, 114-119; Varoli in *Art Newspaper* 23.4.2006; Markina et al. in *Kommersant* 15.7.2004; Leigh and Borisova in *The Guardian* 10.7.2004; Franchetti in *ST* 9.4.2006.

³⁸⁴ For example: Akinsha in *ARTnews* January 2006; Babichenko 2007; Bomsdorf 2006; Ekbohm in *DI* 15.12.2004; Varoli in *Art Newspaper* 23.4.2006.

³⁸⁵ At the same auction, there another painting with a similar history could also be found. The other painting was attributed to Alexei Bogoljubov (1824–1896), known for his landscapes. Petrov had seen this painting earlier, as he was called on by a Russian dealer to certify the authenticity of 12 paintings, all attributed to Russian artists. Of these, only one painting raised Petrov's suspicion regarding its authenticity. This painting, attributed to Bogoljubov, turned out to be another Russified painting. It was originally created by an English artist, E. Zimmermans, and sold in 2002 by Stockholms Auktionsverk. Art specialist Vladimir Petrov interviewed by the author 24.4.2012; Akinsha in *ARTnews* January 2006, 118.

from the State Tretyakov Gallery confirming the authenticity of the painting. The painting was described as one of Shishkin's early works from 1863, which, according to the auction house, explained some of the details that were atypical of the artist's work.³⁸⁶ The painting was withdrawn just before the sale, and later, it was announced that the painting actually was a retouched painting by a Dutch artist, Marinus Adrian Koekkoek (1807–1868), that had been sold at Bukowskis Stockholm in May 2003. The original painting and the later version of it are illustrated in Figure 6 in the same format as they were published in *The Guardian*. The changes made to the painting were accentuated by circles as follows: in the original painting, there are three figures on the path, another figure heading for the bridge, and a lamb standing by the stream. In the later version, the figures and the lamb have been removed, and a signature has been added.³⁸⁷

Following its withdrawal from the sale, the painting was further inspected in Russia. In the previous examination that was conducted during the process of writing the certificate of authenticity at the State Tretyakov Gallery, a radiographic examination was conducted on the painting and a document indicating its results was found in the museum's department. According to Vilkov, the radiographic document revealed the mistakes made by the forgers, unnoticed by the museum experts. For example, though the figures had been removed from the painting, the shadows of the figures had been left untouched. Moreover, the new signature was painted on top of the cracked surface. After an objective investigation, it became apparent that the experts at the Tretyakov Gallery had provided the consignor of the painting with a false certificate of authenticity.³⁸⁸

In 2007, the second phase of the case of Russified paintings took place as the first catalogue presenting fraudulent art was published. After noticing that he himself had provided certificates of authenticity for paintings that turned out to be forgeries, Petrov started to collect catalogues from foreign auctions and to compare the illustrations presented in them with those in the false certificates he had uncovered. Consequently, Petrov recognized the challenge for his competence, as he was not acquainted with western art history: His generation of Russian art experts had received their education and worked in the field without an emphasis on the connections and influences between Russian and foreign art.³⁸⁹ The amount of the material he collected indicated the scope of forgery concerning the Russified paintings. With Petrov's permission, Vilkov gave a commission to the Department for the Preservation of Cultural Heritage to publish Petrov's material.³⁹⁰ Consequently, the first catalogue of

³⁸⁶ Finn in *WP* 28.1.2006.

³⁸⁷ The painting both before and after Russification is also illustrated in the Catalogue of Fraudulent Art. Markina et al. in *Kommersant* 15.7.2004; Leigh and Borisova in *The Guardian* 10.7.2004; *Net kriminalny na antikoarnom rynke* 2007, 4; Vilkov 2012, 112.

³⁸⁸ Vilkov 2012, 112-113.

³⁸⁹ Art specialist Vladimir Petrov interviewed by the author 24.4.2012.

³⁹⁰ Vilkov 2012, 114-115.

fraudulent art, consisted of picture pairs collected by Petrov presenting paintings both before and after Russification.

As discussed, what happened during the Russification of these paintings was that modifications were made to the paintings to make them appear Russian. As noted by Vilkov, the Russification was performed by an organized group that first conducted exhaustive research on the catalogues of auction houses located, for example, in Germany, Denmark, Sweden, the United States, and Canada. The members of the group then acquired paintings dating to the period from the 1850s to the beginning of the 20th century that, according to their stylistic characteristics, were comparable to paintings by Russian artists from the same period. The modifications were conducted using the same high-level expertise on original paintings from more than five hundred Western artists. Consequently, these Russified paintings were attributed to more than a hundred Russian masters.³⁹¹ In addition, the required documents indicating the authenticity of the artwork were acquired from acceptable authorities. At its greatest pace, the described process endured only months. Later, these paintings were often offered for sale in Russia or consigned to auctions abroad.³⁹²



FIGURE 7 An example of a Russified replica. On the left is the painting by Ludwig Knaus from the collection of the State Hermitage Museum, and on the right is the Russified version of a replica of the aforementioned painting, attributed to Stepan Alexandrovski. Source: Alexandrovski, Stepan: Gosse med penningpung. Bukovskis web pages; Net kriminaly na antikvarnom rynke 2008, 17; Knaus, Ludwig: First Earnings. State Hermitage Museum web pages. Photos: Unknown, Anna Hjorth-Röntynen, and unknown.

³⁹¹ Ibid.

³⁹² Finn in *WP* 28.1.2006; Franchetti in *ST* 9.4.2006.

In addition to the Russified paintings, the catalogue illustrated copies that were forged into originals. However, there were also cases in which replicas of paintings by foreign artists were altered to appear to be original Russian paintings predicted to reach higher prices in the art market. Figure 7 presents such a case. In this example, it was suggested that a replica of *First Earnings* by a German artist, Ludwig Knaus (1829–1910), was retouched to represent a painting by Stepan Alexandrovski (1842–1906). In 2007, Bukowskis in Stockholm presented in their catalogue a painting by Stepan Feodorovich Alexandrovski (1842–1906). A year later, Petrov stated in his third catalogue that this painting is a possible fake – a Russified replica of a painting by Knaus. His statement was based on the fact that, after seeing the painting attributed to Alexandrovski, he had found a similar painting in the collection of the State Hermitage Museum.³⁹³ The greatest differences between these two paintings are the size and signature: the painting in the Hermitage collection, attributed to Ludwig Knaus and signed accordingly, measures 71 by 43.5 centimeters. According to the Bukowskis catalogue description, the painting attributed to Stepan Alexandrovski was signed and measured 41.5 by 29.5 centimeters.³⁹⁴

Today, the results of Petrov's research can be studied in five volumes of catalogues, and further research on the Russified paintings has been conducted. According to the analysis of 300 paintings published in the first two parts of the series of catalogues, 116 of them had received a certificate of authenticity from experts working for the State Tretyakov Gallery. This finding led to a rigorous inspection by the Department of Scientific Research in the State Tretyakov Gallery in 2008, commissioned by Vilkov. As stated by Vilkov, the results of the inspection, carried out according to the authority of Rossvyazokhrankultura, showed aggravated offences in both art historical and technological research conducted by experts in the commercial side of the department. Vilkov further listed the most typical deficiencies and mistakes found in the certificates. They included limited analysis of the artistic manner, the signature, and the subsequent over-paintings, in addition to the lack of knowledge of typical characteristics of particular art trends and on the dialogue between them.³⁹⁵

What should not be overlooked in the discussion of the Russified paintings is the notion of the protection of cultural heritage. Each catalogue of fraudulent art represents around 150 examples of artworks. This means that, as in a great percentage of these cases, the originals have been retouched, a remarkable amount of cultural capital of the countries where the original paintings came from has been lost. In an interview by *ARTNews*, Petrov summarized the consequences of the process of doctoring the paintings as follows:

³⁹³ Net kriminaly na antikvarnom rynke 2008, 17.

³⁹⁴ Later, in 2010, the painting was again illustrated in a Bukowskis catalogue of sale 556 as an Alexandrovski. Alexandrovski, S.F.: Gosse med penningpung; Knaus, L.: First Earnings; *Net kriminaly na antikvarnom rynke* 2008, 17.

³⁹⁵ Furthermore, it would have been possible for the authorities to follow the total process of Russification from the beginning to the end, but, as stated by Vilkov, another reorganization inside the ministry set new challenges for this project. Vilkov 2012, 115-119.

"They [the forgers] are not only polluting the Russian art market and potentially endangering research into the history of Russian art. They are destroying the cultural heritage of Danes, Germans, Norwegians, and other Europeans."³⁹⁶

The forgers, who included a number of professionals such as art historians and conservators, were not only violating the rights of the artists but also defacing the cultural heritage of the western countries. Moreover, most of the paintings have been transported to and from Russia in violation of the import and export legislation, as noted by Vilkov. Additionally, considering the occurrences that can be associated with the case of Russified paintings, an increase in the number of monographs on Russian artists during the period under study can be detected. These monographs can be characterized as consisting of extensive illustrative material and limited written section. Generally, they present some previously known works by the artist in museum collections but mainly introduce new findings attributed to the artist that belong to private collections. Consequently, it has been reasserted by Vilkov that Russified paintings that received certificates of authenticity had also been published in monographs on Russian artists. In the example presented in Figure 8, paintings by Viggo Fauerholdt (1832-1883) and Abraham Hulk (1813-1897) auctioned in Denmark by Bruun Rasmussen and in the Netherlands by Christie's, were Russified and later published in a monograph. The publication *Lev Feliksovich Lagorio: Great Collection* was published in 2006 and presents paintings attributed to the Russian artist Lev Feliksovich Lagorio (1828-1905).³⁹⁷

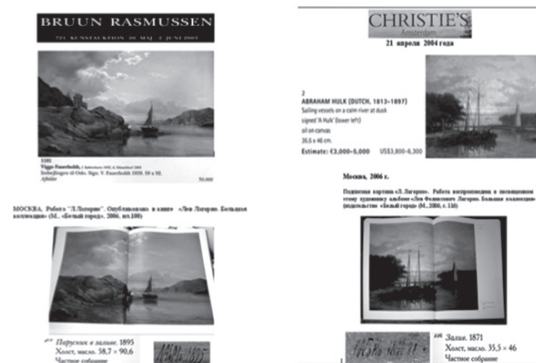


FIGURE 8 The paintings by Viggo Fauerholdt and Abraham Hulk illustrated in auction catalogues together with the later images of the Russified versions of the paintings attributed to Lev Lagorio and presented in the publication on Lagorio's work. Source: Vilkov 2012 [MD].

What can be speculated is the reference value offered by these monographs in the art market. When no other provenance is available, the owner and consigner of paintings can refer to the monograph where the information and illustrations

³⁹⁶ Akinsha in *ARTnews* January 2006, 119.

³⁹⁷ Vilkov 2012, 116-117

of the work are published. References in monographs can also be used as supplementary information to the known provenance, found, for example, in auction catalogues. As it is not possible to use advertising and marketing measures on illegal markets, the role of these catalogue texts and the systematic use of monographs in value creation in the market of Russian art can be speculated.³⁹⁸ This aspect, even though lacking matter-of-fact evidence in the context of the present study, offers an interesting point to the extensiveness of the phenomenon under discussion.³⁹⁹

The main problem concerning the trade in Russified paintings was recognized and named by Vilkov as the lack of rules regulating the art market that enables the trade in forgeries in general. For example, concerning the Russian art market, players that Vilkov referred to as "Maksimkas" described as dealers who trade in a variety of art objects and antiques, can be found. From the trade they practice, they receive commissions but do not pay taxes. As a rule, these players do not possess know-how in either history or art, but they do know the markets, as noted by Vilkov. Accordingly, a large share of their customers is formed by new collectors who, as stated by Vilkov, do not spare money when it is a question of the accumulation of their collection at a fast pace.⁴⁰⁰

Cases such as the one presented can provoke reservations regarding the competence of experts and diminish willingness to participate in the art trade. The case of Russified paintings has also stimulated discussion of the efforts made to detect paintings with doubtful attribution during the consignment process, particularly before they are consigned to an auction and published in the auction catalogue. This results from the fact that, once a painting has been published in an auction catalogue, the text and illustration function as a reference and is, hence, an important argument for potential re-consignment in the future.⁴⁰¹ As a consequence, efforts have been made to consign fakes to auction houses to receive publicity for them and credibility regarding their authenticity.⁴⁰² Thus, attention should be paid to the timing of the revelation of a fake or a forgery, as pictures of objects in auction catalogues can and have been misused. Moreover, detecting fakes and forgeries during the consignment process challenges experts' social skills. Consequently, great importance should be placed on potential unpleasant situations such as the revelation of a forgery because the power of negative news is manifold compared with positive ones.⁴⁰³

However, it should be noted that problems with the authenticity of art objects are not restricted to the branch of Russian art in the tertiary art market. For example, the market for Finnish art has confronted such problems, as

³⁹⁸ Beckert and Wehinger 2013, 12.

³⁹⁹ Entrepreneur Nelli Smirnova's Briefing 13.6.2012.

⁴⁰⁰ Vilkov 2012, 118-119.

⁴⁰¹ Laitinen-Laiho 2004, 32.

⁴⁰² Crime police sergeant Kari Honkanen interviewed by the author 12.6.2006.

⁴⁰³ Pitkänen 2001, 81.

forgeries have been sold in the market. Moreover, problems of authenticity have been also detected in the market for Finnish design.⁴⁰⁴

3.3.3 A comparative case from the public sector of the Finnish art market

The problems of inaccurate attributions in Russian art reach further than the commercial side of the art world. An example from the Finnish museum field presents a case of forgery, elucidating the role competence in connection to the *Ympyrä, Piste, Viiva* exhibition organized at the Wäinö Aaltonen Museum of Art in Turku in 2009. The experts involved in this case in the media included art critic Otso Kantokorpi, who, according to his own words, has been interested in Russian avant-garde for thirty years, Deputy Director of Turku Museums and Director of Fine Arts Päivi Kiiski, and the curator of the exhibition, art historian Paola Volkova.⁴⁰⁵

The goal of the exhibition was to present Russian avant-garde art from private collections together with Leonhard Lapin's retrospective *Signs and Void*. These two exhibitions were organized to provide a broader understanding of the concept of avant-garde. The exhibition was intended to open at the Hämeenlinna Art Museum after Turku.⁴⁰⁶



FIGURE 9 Examples of information on artworks attributed to Aleksandr Rodtsenko and Kazimir Malevich presented in the exhibition catalogue. Source: Harni et al. 2009, 88-89, 12-13. Photo: Anna Hjorth-Röntynen.

Accordingly, the exhibition presented over a hundred works,⁴⁰⁷ including sketches and oil paintings in addition to watercolor, pastel, and gouache paintings. Some of the works were attributed to certain artists, but in some

⁴⁰⁴ Rantala in *HS* 30.8.2001; Arolainen in *HS* 27.1.2004.

⁴⁰⁵ Norontaus in *TS* 18.6.2009.

⁴⁰⁶ Harni et al. 2009, 6.

⁴⁰⁷ In addition to the attributed works of art, there were 24 artworks whose authors were not identified. *Ibid.*

catalogue texts, a question mark was placed after the name of the artist. Such a case is demonstrated in Figure 9, which presents the catalogue text and illustration for a work possibly attributed to Malevich. In the English text, the question mark is explained as follows:

“Kazimir Malevich’s paintings are unique and rarely found in private collections. They require careful study and therefore a question mark should always be added.”

The free translation of the Finnish catalogue text reads:

“Kazimir Malevich’s paintings are rare in private collections. Composition has a signature K.M. but without thorough research we cannot be sure that the work is from the hands of Malevich.”⁴⁰⁸

The first doubts about the authenticity of the paintings presented in the exhibition, stated by the art critic Kantokorpi, were published in *Kauppaalehti*. Kantokorpi, for example, openly questioned the expertise and trustworthiness of Volkova.⁴⁰⁹ The statements made by Kantokorpi were first denied by the museum.⁴¹⁰ In an interview by *Turun Sanomat* and in a statement given to the YLE, Kiiski clarified that, in fact, only some of the works are attributed to certain artists because of the difficulty of the task. Moreover, she stated that the attribution of these artworks from a private collection was an unfinished project conducted at the request of the owner and carried out by Volkova, who also curated the exhibition. As stated by Kiiski, the attribution process is to proceed together with a Russian art expert who specializes in attribution.⁴¹¹

However, some works were withdrawn from the exhibition, and finally, the exhibition was closed and its further transfer to the Hämeenlinna Art Museum was cancelled. Later, the police ordered an art historical research project on all of the approximately 130 works of art, some of which were confiscated. One of these was the painting called *Composition* attributed to Malevich. It was confirmed that most of the Russian avant-garde art works in the exhibition were identified as fakes with false certificates of authenticity.⁴¹²

This case brought to the forefront the problems of competence in Russian art in Finland that can also be detected in the public sector of the art market. In the context of this case, personal interest in art in the form of connoisseurship provided the competence to detect the forgeries in the exhibition, without technical instruments. Considering the consequences of the case, there prevails a question regarding the method of treating fakes and forgeries – what is and should be the procedure after they are confiscated and verified to have a forged certificate of authenticity?

⁴⁰⁸ Harni et al. 2009, 13. Regarding the works by, for example, Alexandr Rodtsenko, the meaning of the question mark is not explained in the catalogue text.

⁴⁰⁹ Norontaus in *TS* 18.6.2009.

⁴¹⁰ Kriitikko syyttää: Turussa 2000-luvun taidehuijaus in *KL* 17.6.2009.

⁴¹¹ Norontaus in *TS* 18.6.2009; Päivi Kiisken vastine tiedotusvälineille, [2009].

⁴¹² Tekniikka ja poliisiin käyttämät taideasiantuntijat antoivat tylyn arvion. Suurin osa kohunäyttelyn tauluista oli väärennöksiä in *TS* 1.10.2010.

3.3.4 Governmental action on fraudulent works of art in the Finnish art market

According to a statement by the Finnish Minister of Culture and Sport, Stefan Wallin, in 2009, the need to develop an attribution process for works of art conducted by both museums and other art market experts is recognized at the national level. Wallin noted that there is a need for clarification of whether the practices of the process could be developed and standardized to prevent the distribution of forgeries and suggested a practice that would make it possible to mark the works of art that have been verified as forgeries to prevent the artwork from starting a new round in the market. Such marked objects could also be more easily used as evidence in court. What makes this process problematic, as recognized by Wallin, is that forgeries cannot be destroyed or modified against the owner's will.⁴¹³

Today, forgeries of artworks are compared in the Finnish courts with forgeries of documents. Recently, the considerations of the forgery as a process have emphasized the dilemma of possessing forged material, as seen in an example case in the Supreme Court of Finland. The concluding remarks of this case further emphasized the importance of signatures in the production of evidence of facts.⁴¹⁴ However, as stated by Risto Rumpunen and Jyrki Seppälä, in many cases, conflicts considering forgeries are settled between the dealer/seller/auctioneer and the buyer without court proceedings. The seller compensates for the damages caused by the mistake, and only a fraction of cases lead even to a report to the police. In all cases, art crime distracts the field as a whole. Regarding auction houses, the greatest consequences are that the prices of original works of art fall and that interest in art as an investment diminishes.⁴¹⁵ Furthermore, in the process of Russification, the original works by European artists are ruined, so pieces of art history demolished.⁴¹⁶

As the growth of a market occurs alongside the financial aspects depending on its image, it should be considered that the market for Russian art continues to be considered quite risky, as the presence of fakes and forgeries continues to threaten the stability of the trade. All in all, for the market to become more efficient and reliable, it requires transparency.⁴¹⁷ Moreover, cases such as the ones discussed may provoke reservations regarding the competence of the players in the art trade. This can be considered a factor that diminishes the willingness of the players to participate in the art trade.

In light of the above, the goal of this discussion of the Russified paintings has been to elucidate the role of competence and the risks prevalent in this market. These factors will play a central role when social capital as a strategic tool in the context of consigning Russian paintings is considered in the last

⁴¹³ Opetusministeriön tiedote 17.11.2009.

⁴¹⁴ KKO:2007:81.

⁴¹⁵ Rumpunen and Seppälä 2004, 4, 7.

⁴¹⁶ As noted by Russian businessman Valery Uszhin in an interview with *The Sunday Times*; Franchetti in *ST* 9.4.2006.

⁴¹⁷ *Russian Finance Report* 2004; McAndrew 2009, 29, 143.

discussion chapter. Moreover, the case of the Russified paintings offers an explicit example of the negative effects of social capital, an aspect otherwise outside the scope of the present study. Such organized action calls for a tight expert network and trust in the organization by the stakeholders. The process includes many phases that call for expertise in art history, artistic techniques, and skills. Hence, it calls for social relations to find the appropriate experts and players. The aspects discussed underline the role of knowledge as a competitive advantage in this market. My hypothesis is that to acquire information on the authenticity of Russian art an auction house and its experts have to build networks to reach key experts. In this process the status of the key expert plays a significant role. To condense, drawing on Beckert and Wehinger, there are three aspects that proceed from coordination problems in the Russian art market, namely, valuation, competition, and cooperation.⁴¹⁸ All three will be discussed in the third discussion chapter.

3.4 Opportunities and challenges in the tertiary market for Russian art

The tertiary art market is a network structure consisting of private, business, and institutional players. It operates from selected centers, enabling not only local but also regional and international art exchange. A market depends on the general economic prosperity in addition to the political situation of the country in which the market is located. Also, the level of a speculative environment has effects on the success of the market, together with a high standard of living.

Action in the art market is regulated by ethical considerations in addition to proper ways of conducting business – selling, acquiring, and marketing art. In the markets for past art, legal controls including import and export restrictions and taxes, together with attribution services, demonstrate best the institutional power in the art market power structure. For example, Russian export legislation has further effects on the Finnish art market, as it restricts the supply of Russian art from Russia. Furthermore, in such a structure, auctioneers, as market middlemen, possess taste and knowledge about the value of artworks that a consumer lacks. They have insight into the market forces that determine price differences between works, in addition to the factors that affect interest in the works and, hence, the buyer's willingness to pay the price.

The players' motives for seeking art market services can be categorized as knowledge motivation, aesthetic-hedonistic motivation, and social motivation. Considering the demand side of the market, the players include anyone with a desire to possess a work of art differing in awareness and taste. The supply side of the market is more difficult to define, but what connects all the players in the art market is that they aim to obtain legitimacy and secure a gain according to rules. The structure of both the demand and the supply side varies, and, for

⁴¹⁸ Beckert 2009; Beckert and Wehinger 2013, 7.

instance, economic changes have periodically brought new teams of players to the market. Accordingly, in the beginning of the 21st century, Russia had a great impact on the global art market.

Despite the growth of the Russian art sector from 2000 to 2008, the Finnish art market in general has not been discussed internationally, and the price level has been considered lower compared to those reached in the international art markets. The general consensus is that the lure of the Finnish market for Russian buyers has been the impression that they are getting bargains, especially at the beginning of the period under study. This bargaining is closely connected to the concept of competence and the role of expert networks: the less competent the auction house is and the less expertise it uses, the greater the possibility of finding a bargain is. Thus, concerning the relation of competence and the cultural context of artworks, the greatest and most important task for an auction house is to create an expert network for increased knowledge.

4 THE ROLE OF INTANGIBLE CAPITAL IN THE CONSIGNMENT SERVICE OF RUSSIAN ART

4.1 Sell in good company

The goal of this chapter is to answer the research questions by translating the theoretical considerations discussed into micro-level managerial implications within the framework built in the previous chapter. The motivation to discuss the role of social capital has arisen in the tertiary art market because of the market's expansion and the growing awareness of the requirement of competence. Indications of these assumptions can be detected, for example, in statements made by art market experts.



FIGURE 10 Baroness Dorothy Aminoff, the first woman in Finnish art business. Source: Tervo in *Glorian Antiikki* 2003. Photo: Yrjö Tuunanen.

Among the most relevant of these announcements came in an interview of Baroness Dorothy Aminoff, by Tuija Tervo (Figure 10). In the interview, Baroness Aminoff, who successfully carried on a gallery business after the death of her husband Ivar Hörhammer and helped her son Paul Hörhammer start his own auction business in Finland, states:

"It is not enough, that you acquire art of high quality for sale; you have to be able to present and market it right. A good art dealer knows about the paintings that are being sold. She can tell about the background of the works, as well as about the artist that painted them. Knowledge and trust are the cornerstones of this branch, and all-around education."⁴¹⁹

Baroness Aminoff's statement brings to the forefront the main aspects discussed in the present study, namely the importance of and correlation between high-quality supply and the social capital of knowledge and trust in the art business.

A widely used example of the relationship between of social capital and high-quality supply is further detected in the appearance of the phrase "sell in good company" ("myy hyvässä seurassa," in Finnish). The phrase was used in the international art market, for example in advertisements for the Finnish auction house Bukowskis, American auction house Shannon's Fine Art Auctioneers and the Swedish auction house Uppsala Auktionskammare. These advertisements are presented in Figure 11.⁴²⁰ In this study, the phrase is understood to express the following beliefs. First, the object consigned is sold among high-quality works of art. In other words, other consignors with similar objects of high quality have already decided to trust the auction house. Second, by the auction house brands its services as worthy of selling thus, it is eligible to sell certain works of art. Finally, this phrase emphasizes the character of the existing customers and the reputation of the company. In short, the phrase signals that the players in the tertiary art market acknowledge the impact of social capital as also indicated in the interviews with the art market experts (Table 7).

Although this chapter does not emphasize marketing as such, related issues are considered because of their relevance to the creation and maintenance of the reputation of a company and stakeholder management. Additionally, the role of contract enforcement is discussed in considering the signing of a consignment agreement. This chapter plays particular attention to the second phase of the process, the pre-sale estimation service, because it functions as the core of the consignment process. To further explore the challenges of using social capital as a strategic tool in practice, I discuss issues in the consignment process of Russian paintings in the Finnish tertiary art market.

⁴¹⁹ Freely translated by the author from Tervo in *Glorian Antiikki* 2003, 72.

⁴²⁰ Bukowskis' published advertisement in *HS* 2006; Uppsala Auktionskammare's published advertisement in *HS* 2006; Shannon Fine Arts' published advertisement in *AA* 2009.

4.2 Consignor encountering

Auction business is considered to belong into the category of knowledge-based industries and the legitimacy and reputation of an auction house depends greatly on its stakeholders' conceptions of its services.⁴²¹ Thus, it is significant to discuss the structure and content of this service. The aspects on the service are also of high relevance when the construction of a supply with attractive lots is considered.⁴²² Together with communication, the service provided forms a base for the reputation of the company and thus for customer expectations.⁴²³

A consignor who is motivated to sell in the Finnish art market has a choice of two Helsinki-based internationally recognized auction houses. Thus, as a result of the scarcity of choice, on this level of the consignment process, the name of the auction house plays a great role. Thus, the role played by name of the auction house it is also relevant in the discussion of the business strategies of these companies.⁴²⁴ However, when discussing the scarcity of choice in the Finnish art market, it should be noted that, considering in particular consignments in Russian art, the international art market offers competition for the Finnish auction houses, as the reputation of the London-based auction houses Sotheby's and Christie's as places where to sell Russian art has long been established. An impression has prevailed that the more renowned the auction house is, the higher prices it is able to fetch. In practice, a greater percentage of unsold lots per sale might be found in the practice of international auction houses than expected. The international auction houses have also attracted Finnish consignors who have considered tax encumbrances or avoidance of the publicity of the sale of the consigned objects. However, alongside the utilization of the Internet and the transparency of official information between countries in the E.U., such criteria of choice are expected to diminish their attraction and capacity as a competition factor.⁴²⁵ In the light of the above, the name of the auction house is considered a brand or a concept that all interested players in the art market recognize.⁴²⁶

The reputation of an auction house exists mainly among the auction house's clients and interest groups. In other words, it exists in the opinions and interpretations of those assessing the auction house as a subject.⁴²⁷ In the first stage, the process of forming a reputation is affected by personal experience, in the second by hearsay and discussions with others, and finally by media

⁴²¹ Fombrun 1996, 13.

⁴²² Heskia 2002, 229.

⁴²³ Ilmonen 2005, 55; Aula and Mantere 2008, 131.

⁴²⁴ Director and curator Anders Bengtsson interviewed by the author 28.2.2006; Specialist Stig Eklund interviewed by the author 2.6.2006; Art consultant Paul Hörhammer interviewed by the author 9.10.2006; MD Carl-Gustaf Petersen interviewed by the author 8.9.2006; Entrepreneur Nelli Smirnova interviewed by the author 25.4.2006; MD Claire Svartström interviewed by the author 7.9.2006.

⁴²⁵ Entrepreneur Nelli Smirnova interviewed by the author 25.4.2006.

⁴²⁶ Specialist Stig Eklund interviewed by the author 2.6.2006; MD Claire Svartström interviewed by the author 7.9.2006.

⁴²⁷ Aula and Mantere 2008, 21.

communication and exposure.⁴²⁸ Thus, a potential consignor who lacks personal experience in the auction business is likely to make a decision on the choice of auction house based on other people's recommendations and stories⁴²⁹ Accordingly, even if the consignor will be a one-time-only customer, which often seems to be the case in the context of consignments of Russian paintings⁴³⁰, his or her experiences of the service can reflect the general opinion of the auction house as they tell others about their experiences. Therefore, the encountering of the players, who further share their experiences with other players in the market, offers an important way for an auction house to manage its reputation.

TABLE 7 Factors considered to impact the consignor's choice of an auction house.

Factors effecting the choice where to sell Russian paintings	Total answers
Prices	3
Marketing	3
Competence	3
Service	2
Personal relations	2
Splendor	1
Catalogue and preview	1
Customer satisfaction	1
Taxation	1
Trust	1
Commissions	1

Today, the new media, however, offers challenges for such customer caressing, as art market players can express their opinions to an ever-wider public. Hence, it seems utterly difficult for an auction house to control its reputation in practice itself.⁴³¹ Overall, for an auction house to obtain a good reputation, new ways should be found to manage customer relations. As good reputation cannot be transmitted, transplanted, or projected. Instead, the auction house has to earn it by being reliable and responsible in the service it provides.⁴³² Furthermore, it has been emphasized by Luoma-aho that the difference between a good reputation and being well-known should not be overlooked:

"A good reputation is not the same as being well-known, since even known organizations can have a bad reputation, or they may even be known for their bad reputation."⁴³³

Ultimately, it can be said that the name of the auction house crystallizes its reputation, as it anchors public perceptions about the company, its services, and

⁴²⁸ Karvonen 2001, 16-26.

⁴²⁹ Aula and Mantere 2008, 20.

⁴³⁰ Specialist Stig Eklund interviewed by the author 2.6.2006

⁴³¹ Luoma-aho and Vos 2010.

⁴³² Aula and Mantere 2008, 14.

⁴³³ Luoma-aho 2005, 171.

its performance.⁴³⁴ The choice of the auction house made by the potential consignor does not, however, depend solely on the reputation or name of the auction house per se. According to the informants, the choice of the auction house further depends on various factors such as prices, marketing, and competence. (Table 7) The notion on marketing as a factor considered affecting the choice of where to consign corresponds to the expected emphasis on the role of the appearance of the auction house and its experts in the media.⁴³⁵

4.3 Marketing, advertising, and quality service

The potential consignors are informed about upcoming sales, the current expert visits, and the experts' readiness to make house calls in the media. In the advertisements, the results of previous sales are used effectively as marketing tools. In the case of Russian art, previously sold top lots are used as illustrations together with tables presenting past sale results. Simultaneously, these advertisements represent the auction house's competence to sell such internationally recognized lots, as the expert networks are introduced in the form of issuing invitations to attend expert visits. As discussed, in such cases, advertisements are considered invitations to sell in good company. (Figure 11)



FIGURE 11 The phrase "sell in good company" applied in marketing. Sources: Shannon Fine Arts' published advertisement in *AA* 2009; Bukowskis published advertisement in *HS* 2006; and Uppsala Auktionskammare's published advertisement in *HS* 2006. Photos: Anna Hjorth-Röntynen

⁴³⁴ Fombrun 1996, 33-36.

⁴³⁵ Director and curator Anders Bengtsson interviewed by the author 28.2.2006; Specialist Stig Eklund interviewed by the author 2.6.2006; Art consultant Paul Hörhammer interviewed by the author 9.10.2006; Curator Knut Knutson interviewed by the author 14.2.2006; Antique dealer Bernt Morelius interviewed by the author 8.5.2006; MD Claire Svartström interviewed by the author 7.9.2006; Entrepreneur Nelli Smirnova interviewed by the author 25.4.2006.

When a potential consignor contacts the auction house, he or she is directed to the expert most competent to assist with the needs of the customer. This is when the dialog and interaction between the consignor and the expert begins. The role of the expert in this primary phase of the consignment service was described by one of the informants as follows:

“--from this first step onward, the goal of the expert should be making the consignor feel comfortable with the situation.”⁴³⁶

Generally, the importance of customer encounters and service is well-acknowledged among the players in the art business. As stated by one of the informants:

“An auction house has to have a very customer-oriented attitude to survive.”⁴³⁷

What, then, is considered good service? The service quality can be defined according to the desires and wants of the consignor and according to the ability of the auction house to meet or exceed them.⁴³⁸ However, it is not always unambiguous what the customers consider high-quality service. As discussed, the assessment of expected quality is formed by word of mouth information but also by personal needs, one’s own past experience, and external communication.⁴³⁹ Thus, the questions concerning the quality of service provided by an auction house during the consignment process are about the consignors’ perception, interpretation, and analysis of the service.⁴⁴⁰

“Some people may think that a shiny doorknob and fancy display windows create a feeling of reliability, for others it is the work that has been well done.”⁴⁴¹

One perspective on service quality is credibility. For an auction house to sustain credibility, there should be appropriate and accurate communication between the potential consignor and the expert regarding the contents of the estimation service. In addition, if the experts detect problems concerning the consignment, these issues should be communicated appropriately and accurately to the potential consignors because, when people feel that problems concerning their possessions have been solved in a satisfactory way, they are willing to recommend the company to others. In addition, such satisfactory problem resolution also improves their perception of the company’s service quality.⁴⁴² Accordingly, the concept of credibility includes the believability, honesty, and trustworthiness of the auction house as a service provider.⁴⁴³

⁴³⁶ Art consultant Paul Hörhammer interviewed by the author 9.10.2006.

⁴³⁷ MD Carl-Gustaf Petersen interviewed by the author 8.9.2006.

⁴³⁸ Gilmore 2003, 23.

⁴³⁹ Zeithaml et al. 1990, 8-9, 23.

⁴⁴⁰ Karvonen 2001, 16-26.

⁴⁴¹ Entrepreneur Nelli Smirnova interviewed by the author 25.4.2006.

⁴⁴² Berry and Parasuraman 1991, 38.

⁴⁴³ Other dimensions are tangibles, reliability, responsiveness, competence, courtesy, security, access, communication, and understanding the customer. Zeithaml et al. 1990, 21-22.

This role of providing appropriate and accurate communication should be taken into consideration both in marketing and operations. The role of communication is emphasized in the first stages of the relationships between an auction house and other art business players. Accordingly, Figure 12 shows how the first phase of the consignment process acts as a context for marketing communications. The figure presents the auction house, the consignor, and the context, all of which participate in the formation of communications in the contact arena⁴⁴⁴

Because of the limited size and degree of development of the auction business in Finland, more communication based on personal relationships with desirable parts of the public in the art world can be detected. Compared with institutional relationship communication, which is dominated by official message-carriers, communication in the auction business is typically less formal and more interactive. The recognition of the division between institutional and personal relationships further helps the auction house in managing reputation strategies. Aula and Mantere stated that:

“--strategies based on personal relations are extremely appropriate in situations in which the public is so small that it really is within reach of dialog.”⁴⁴⁵

In all cases concerning communication, setting up unrealistic expectations should be avoided. This applies not only for setting estimated prices but also for advertising, attribution, and any other external communication because, if the actual encounters do not meet expectations, the disappointed customer uses the experience as a negative future reference for herself or himself and for those with whom he or she interacts.⁴⁴⁶

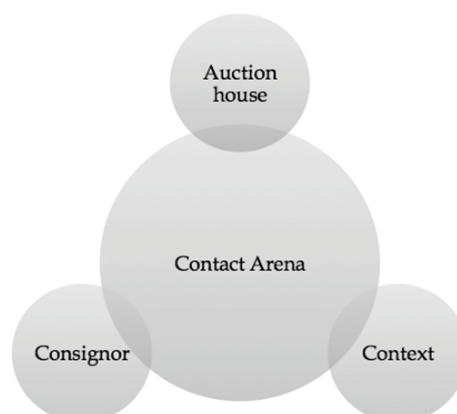


FIGURE 12 Customer-centered integrated marketing communication during the consignment process based on Catani 2008, 18-19.

⁴⁴⁴ Catani 2008, 18-19.

⁴⁴⁵ Aula and Mantere 2008, 91-92,111.

⁴⁴⁶ Zeithaml et al. 1990, 115.

Regarding the effects of technological development on the consignment process it should be noted that there is an exceeding amount of communication taking place online. In online communication, the lack of social cues prevents interpersonal collaboration and trust. Moreover, it should be considered that online communication and, for example, answers regarding online valuations are given within certain, often tight, time limits and without any additional socializing aspects in mind. With this in mind, it should be noted that computer-mediated communication gives more ground to misrepresentation and misunderstandings also in the consignment process.⁴⁴⁷ Accordingly, when experts wish to utilize their social capital, it should be considered whether online communication could be replaced with a more personal encounter.

In the context of the consignment process of Russian art, the provision of high-quality service is considered a competitive strategy for an auction house, and it has been, to a great degree, recognized by the art market players. It can be used in earning customers' loyalty or as an asset in price competition between auction houses.⁴⁴⁸ The judgment on the quality of service is based on the consignor's individual perception, interpretation, and analysis on the service. Therefore, auction house experts can strengthen the consignors' perception of the service by giving out material on which the consignors can build their consideration. Such material can include, for example, information on previous sales of Russian art and documents describing the consignment process.⁴⁴⁹ Moreover, the potential consignors' perceptions of the quality of service can be further strengthened by accurate communication. Finally, failing to provide high-quality consignment service, for example, by setting up unrealistic expectations and failing to meet them or failing to solve problems appropriately has negative effects on the reputation of the auction house.

4.4 Structure of the presale estimation service

The presale estimation of Russian art is conducted by the auction house experts. As the Finnish art market is modest in size, the number of experts working for the auction houses is limited to ten in both companies. In comparison to the London market, where the Russian art departments alone employ a number of experts, in the Finnish art market Russian paintings have been considered a niche of the department of foreign art.

Traditionally, both Bukowskis and Hagelstam Auctions, and the reputation of these companies, have relied strongly on the status of their leading experts: Paul Hörhammer and Wenzel Hagelstam. This composition follows the argument by Jaakko Lehtonen that the person of the director is the most crucial factor in building company's intangible capital.⁴⁵⁰ The notion

⁴⁴⁷ Putnam 2000, 168, 170, 176.

⁴⁴⁸ Kouzes and Posner 2003, 92; Zeithaml et al. 1990, 1-2.

⁴⁴⁹ Karvonen 2001, 16-26.

⁴⁵⁰ Lehtonen 2001, 62.

further follows the observations from the gallery side of the art market. In an interview by *Helsingin Sanomat*, Jyrämä has stated that the role of the strong personalities in the art market reflects the character of art:

“It is hard to determine, what is art, and particularly what is good art. This is why people rely on strong personalities who decide, which is the product worth of purchase.”⁴⁵¹

As to the profile of the experts, in the Finnish art market, emphasis has been traditionally laid rather on the experience and status than on the education of the experts. Today, there can be detected a change in the role of education as more of the emerging experts are profiled to have an education in art history. Another change in the expert profile in the Finnish art market is the lowering of the average age of the experts, also contributing to changes in the roles of experience and education in this branch. Despite these subjective observations lack matter of fact evidence, they are a fruitful addition to the discussion of the creation of social capital in this process.

Generally speaking, a pre-sale estimation service includes attribution of the painting, identifying and utilizing reference material as well as setting realistic visions for estimate and reserve prices, and, finally, reaching the interested bidders.⁴⁵² Due to the impact of the judgment of history, the estimation of art values leaves more space for considerations on the rarity of the artwork.⁴⁵³ However, there can also be found the logistics of the culture inside the process: the experts’ sensitivity to legitimacy structures such as competence, social imperatives, and patterns of meanings.⁴⁵⁴ In the following section, the first three divisions of the pre-sale estimation service, namely attribution, reference material, and visions, are discussed to assist in perceiving the service as a whole. Furthermore, to emphasize the role of social capital and the cultural logistics in the presale estimation service, the assessment of Russian paintings is reviewed.

4.4.1 Attribution and reference

The inherent characteristics of a painting are considered to affect its value. Thus, the process of establishing a pre-sale estimate starts by performing a holistic assessment of details typical to a particular artist. The study of these details is conducted by looking at the physical characters of the object: style, medium, technique, size, and content, in addition to the construction and composition.⁴⁵⁵ Most importantly, emphasis is laid on the study of the signature and on the relation of the subject matter of the painting to the subject matters of other known works by the same artist. The study then proceeds to inspect the canvas and frame: what kind of framing and mounting is used, how the canvas is

⁴⁵¹ Freely translated by the author from Alkio in HS 2.1.1996.

⁴⁵² Laitinen-Laiho in HS 7.7.2002.

⁴⁵³ Moulin 1994, 6.

⁴⁵⁴ Velthuis 2005, 28-29.

⁴⁵⁵ Yogev 2010, 512.

attached to the stretcher bars, and whether names of suppliers or manufacturers of the materials used are visible in writing or labels. These marks, labels, and stamps can provide clues about the object's provenance. For example, custom stamps indicate that an object has crossed a border, whereas an exhibition sticker may lead to a catalogue with additional information.⁴⁵⁶ Moreover, factors considered to influence the value of the painting are the artist's age, prizes, and media coverage. In other words, also factors related to the social players in the art market influence the value of a painting, as noted by Yogev.⁴⁵⁷

Theoretically speaking, the most successful scientific and scholarly attribution consists of a summary of reports from specialists representing different research areas, that is to say art history, conservation and materials research. In short, art history studies works of art in their context and aims to place them in a biographical line in the production of a certain artist in addition to studies in the genre, style, and form. In conservation, the techniques and processes used by the artist are studied together with its provenance and condition. In materials research, the study mainly focuses on the identification of pigments and the way they were applied by the artist.⁴⁵⁸

Generally speaking, such collaboration seldom takes place in the context of the art market. Conservators and materials research scientists are familiar with the techniques and methods utilized by each other. Therefore, they also acknowledge the potential results that can be achieved through these methods. In order to gain a holistic view on the possibilities offered by technological methods to assist in attribution, art historians and other experts acting in the field should also be able to recognize these methods. In the context of the present study, what intensifies the importance of this notion is the problematic nature of the reference material on Russian paintings including certificates of authenticity with reports on material research already conducted on the painting. It would be of high importance for an expert to be able to recognize whether it is possible to achieve the stated results with the techniques and methods given in the certificate.⁴⁵⁹ Therefore, inspired by the interviews with Seppo Hornytzkyj, head of material research laboratory at the Finnish National Gallery, I will shortly review the most relevant methods that can be and should be utilized in art attribution according to the available resources.⁴⁶⁰

The research methods utilized in painting materials research include optical microscopy (stereomicroscope) that provides information on paint layers, pigments' particle size and their purity, craquelure pattern, and restoration. Painting techniques and changes in the painted surface can be detected with the help of raking light whereas restorations and overpaintings are studied with UV-light. In addition, X-radiography is used. X-rays are able to

⁴⁵⁶ Yeide et al. 2001, 11.

⁴⁵⁷ Yogev 2010, 512; Plattner, 1998; Beckert and Rössle 2004; Velthuis, 2005.

⁴⁵⁸ Head of material research laboratory Seppo Hornytzkyj interviewed by the author 23.1.2013.

⁴⁵⁹ Ibid.

⁴⁶⁰ As this branch offers a wide range of technology and methods, it is relieving to know that what is expected from an art historian is to understand methods and potential results enough to be able to interpret what is stated in the certificates.

traverse the painting in all its thickness. During exposure of the painting to X-rays, the differential response (absorption or transmission) of materials in the painting is recorded on a black and white radiographic film or digital sensor, which is placed behind the painting. X-ray examination is very useful for the study of the painting technique and for detecting the composition changes, hidden paintings and over-painted areas. Further, examination with infrared camera makes it possible to study the preparatory drawings which can provide information about the artists' technique and also help to solve the problems of attribution. Finally, what should not be overlooked is the role of camera in documentation of the painting in addition to its role in the documentation of the results of some of the abovementioned examination processes.⁴⁶¹

Considering dating and attribution, historical pigments offer an essential subject for this.⁴⁶² By identifying different pigments it is possible, for example, to state a period of time during which the painting was made. Identified pigments can also be used for attribution if comparable analytical data is available. Examination of a cross-section taken from a painting gives information of the working methods of the artist.



FIGURE 13 Head of material research laboratory Seppo Hornytzkyj demonstrates the prospects of using portable XRF-spectrometer in art attribution. Photos: Anna Hjorth-Röntynen

Today, there are a number of different well-tried techniques and methods that can be used in this process, as stated by Hornytzkyj. The decisions on the

⁴⁶¹ Head of material research laboratory Seppo Hornytzkyj interviewed by the author 23.1.2013.

⁴⁶² Practical implications of this can be found in Seppo Hornytzkyj's article *Peter Adolf Hall: One of the first to use zinc white in Western painting?* And in Michael Hutter's article *Creating Artistic from Economic value: Changing Input Prices and New Art*. In his article Hutter explores the history of blue pigments in relation to the use of these pigment in the work of Impressionist painters. Hornytzkyj 2005; Hutter 2008, 62-64.

technique selected depend on money, time, competence, and above all whether almost nondestructive or completely nondestructive (cnd) methods are allowed to be used. Extrapolated, the method options are as follows:

Raman spectroscopy (and or cnd): uses laser light to provide a spectrum that reveals what compounds (pigments) the material studied includes.

Polarized light microscopy (PLM; and): the analyst is able to identify pigments according to their optical properties in samples taken from a painted surface. Also the analyst can examine cross-sections taken from the painted surface.

Scanning electron microscopy and energy-dispersive X-ray spectroscopy (SEM-EDS; and): provides great magnifications of samples taken from a painted surface. The analyst is also able to carry out elemental analyses on very small samples.

X-ray fluorescence spectroscopy (XRF; cnd, FIGURE 13) the analyst can carry out elemental analyses of small areas on the surface of a painting. The supply of a portable XRF-spectrometer offers a great asset in research logistics as it makes it possible to conduct materials research on less laboratory-based basis.

X-ray diffraction (XRD; and or cnd): the analyst is able to identify crystalline compounds (most historical pigments are crystalline).

Infrared spectroscopy (FTIR; and or cnd): studies the absorption of infrared radiation in a material sample. An FTIR-spectrometer provides an IR-spectrum that makes it possible to identify for example binding media, varnishes and some pigments.⁴⁶³

Prior to the initiation of the research, it might be adequate to consider the cost efficiency of the research and consider, whether the cost of the research exceeds the value of the artwork being studied.⁴⁶⁴

As there is no established practice of expert collaboration in the art market, there can be detected different aspects regarding the equilibrium and focus of expertise during the attribution process in the art market. Accordingly, some experts emphasize the technological expertise and on the use of technical instruments in the process, whereas others argue that the main factor in defining art expertise is the depth of the expert's know-how. Such emphasis on the process of seeing art can be considered a reference to the concept of connoisseurship. This is because a connoisseur's ability to see art can be understood as a product of experience and history reproduced by education. In this aspect, education in art is considered important for a specialist in art, but so is the potential inborn capability to see. The problem here lies in the core of transparency of art assessment in the art market, as, even to professional valuers, the criteria that define the stylistic properties of the typical works on which all their judgments are based usually remain implicit.⁴⁶⁵ The opaqueness of the value assessment has been stated as a factor that generates uncertainty already in earlier research. Moreover, the lack of transparency also opens up

⁴⁶³ Head of material research laboratory Seppo Hornytzkyj interviewed by the author 23.1.2013.

⁴⁶⁴ Ibid.

⁴⁶⁵ Bourdieu 1984, 4.

possibilities for deceit and opportunism, as demonstrated in the case of Russified paintings. It is during such exchange situations that legitimacy becomes active.⁴⁶⁶

Overarching, in the context of the present discussion of the relevant expertise for art attribution, the expertise of an art expert is proposed to be comparable with the expertise in medicine: The samples and imaging conducted on a patient respond to the methods of conservation and materials research conducted on a work of art. To announce a diagnosis, the doctor has to see the patient and observe his or her condition, just as the art expert has to see the painting to conduct the attribution and, further, to establish its authenticity. As argued by Petrov, “the things you see cannot be replaced by any other technique...and, the failure to perceive the whole is considered a great mistake in art, and in medicine”.⁴⁶⁷ Indeed, the assessment of art requires the presence of experts on art history and technology as well as the presence of actual work of art being assessed.



FIGURE 14 Art expert Vladimir Petrov studies a painting attributed to Alexandr Morosov (1835-1905). Photo: Reproduced with permission from Matias Uusikylä. Photo: Matias Uusikylä.

Additionally, documents bearing information on the intangible characteristics of the painting such as facts about previous owners, dealers who have traded the painting, possible exhibitions, auction catalogues where the painting has been presented, and articles are used as tools in the attribution process.⁴⁶⁸ It can

⁴⁶⁶ In his study. Kollock uses the market for rubber as an example case for such exchange situations. Kollock 1994, 314.

⁴⁶⁷ Art specialist Vladimir Petrov interviewed by the author 24.4.2012.

⁴⁶⁸ Laitinen-Laiho 2004, 147-148.

be argued that, when plenty of reference material is available, the attribution and estimation is often less complicated.⁴⁶⁹ Moreover, to find information concerning objects that might belong to a collection, institutional files such as curatorial files, conservation files, and institutional archives are studied. Accordingly, alongside auction catalogues, catalogues on public and private collections serve as important tools for attribution.⁴⁷⁰ Like library resources, these sources vary according to the location of the market.⁴⁷¹ In the context of Russian paintings in the Finnish art market, the availability of material poses challenges for all experts. That is to say, we are faced with lack of comparison material for both art historical and materials research.⁴⁷² In addition, much of the reference material is unattainable because of the language barrier.

4.4.2 Expert network for Russian art

For an attribution to be completed successfully, it is of importance to consider paintings in their original context. Accordingly, the expert should be able to emphasize the cultural environment in which the artist lived, what his or her surroundings were, and what his or her upbringing was like. As a result, it is possible to determine, for example, reasons that it is beyond the bounds of possibility for a particular artist to have created the kind of artwork under attribution, as noted by Petrov.⁴⁷³ This aspect emphasizes the role of cultural competence in expertise in Russian art and, further, the importance of expert networks in the market for Russian art as the distribution of cultural competence can be considered limited.⁴⁷⁴ However, it can be argued that it is possible to successfully assess the value of a painting without sharing the same cultural background with it. What is required is the knowledge on the artist and on his/her production.⁴⁷⁵

Considering cultural competence, an interesting comparison can be found in the field of documentary. In this field, it can be argued, to what extent images provide evidence of the historical world. In the context of documentary, images are considered “sticky” as they refer to things and events that really have existed.⁴⁷⁶ As argued by Bill Nichols:

“[t]his stickiness requires recognition by the viewer before it can come into play. If we lack familiarity with the historical events whose semblance attaches to the sounds and images we view, then these images lack the referential power documentary requires of them [...] Recognition involves a sudden click or shift of levels as information, sensory impressions, arrange themselves into a larger gestalt. For

⁴⁶⁹ Chairman of the board Wenzel Hagelstam interviewed by the author 13.11.2006.

⁴⁷⁰ Koeningsberg 1989, 31.

⁴⁷¹ Yeide et al. 2001, 15, 21.

⁴⁷² Head of material research laboratory Seppo Hornytkyj interviewed by the author 23.1.2013

⁴⁷³ Art specialist Vladimir Petrov interviewed by the author 24.4.2012.

⁴⁷⁴ Bourdieu 1984, 2, 228.

⁴⁷⁵ Managing director Mikael Schnitt interview by the author 15.2.2013.

⁴⁷⁶ Rokka 2010, 136.

example, the shift is from the recognition of human figure to its placement as a particular historical figure.⁴⁷⁷

Accordingly, this stickiness can be considered also in the context of art attribution, particularly in the process of establishing the authenticity of a painting. As stated one of the informants:

“-- it is hard to appreciate a painting depicting a landscape from the Crimean if you have never been there – You have to grow up in certain circumstances to know what it is that you see.”⁴⁷⁸

Accordingly, as stated by Carolyn Wilde, the intrinsic value of a painting depends on the way the artwork is understood. Such understanding relies upon the appraiser’s ability to recognize what is there objectively to be seen in the artwork.⁴⁷⁹

Regarding the case of Russified paintings discussed, the role of cultural competence can be challenged to a certain degree. This is because the Russified pictures are of western origin and, thus, parts of the western canon, but through the utilization of art expertise, they have been connected to the genres of Russian artists. Accordingly, the corresponding relation between western and Russian art history has been left with scarce attention in the present study. In light of the above, the recognition of the quality of the Russian paintings appears to be to a point independent of cultural competence; once the validity of the attribution is stated by the key expert, the presale estimate process of Russian paintings does not differ significantly from that of paintings of other descent.⁴⁸⁰ However, what does require cultural competence is the placing of these paintings into the hierarchy of the Russian art history and to the social context from which they originate.

The need for auction houses to connect with Russian experts is acknowledged also on the demand side of the market.⁴⁸¹ Discussed further from the museum professionals’ point of view, the opinion still seems to favor Russian experts’ statements when it comes to Russian art. According to Leena Ahtola-Moorehouse, intendent at the Finnish National Gallery, in most such cases, expertise is sought from Russia:

“The general policy is that we in Finland do not interfere with the recognition of Russian art if the work in question doesn’t happen to be conducted by a master familiar to us, such as Repin. In other cases, it is worthwhile to consult Russian experts from the Tretyakov Gallery.”⁴⁸²

Thus, the role of experts of Russian descent is crucial in the context of the consignment process of Russian art.

⁴⁷⁷ Nichols 1991, 160-161.

⁴⁷⁸ Art specialist Alexandr Kuznetsov interviewed by the author 16.8.2006.

⁴⁷⁹ Wilde 2008, 226.

⁴⁸⁰ Specialist Stig Eklund interviewed by the author 2.6.2006.

⁴⁸¹ Art collector Georg Khatsenkov’s briefing to the author 20.5.2006.

⁴⁸² Nyrhinen AL 24.12.2006.

Today, in Russia, as in Soviet times, the ability to solve a problem depends more on the power of the network that one can mobilize than on one's own capacity.⁴⁸³ This fact is demonstrated in the process of expert networking in Russia. Experts have their niches, and they are consulted on issues concerning this special area of expertise. Getting in touch with the experts is a process that requires contacts and knowledge of the Russian art world, as some experts work privately and some are employees in Russian art institutions. Currently, the challenges in this field are met neither in the level of expertise nor in the ability to create social relations but in the trustworthiness of its action. What has changed in the system of art consultation is the increasing adaptation to the needs of the market.

The use of certificates of authenticity can be considered one of the special characteristics of the Russian art market. During the 1990s, the purchasing of certificates from professional experts became so common that it can be said to have been a market for them.⁴⁸⁴ Today, the use of these certificates continues in the tertiary art market, and information regarding the existence of a written certificate is expressed in the catalogue texts. The potential buyers are provided with copies of the certificates when inquired. Toward the end of the period under study, the obtaining of certificates reached high numbers, and in marginal cases, three documents of authenticity could be written for one Russian painting. This reflected also the general impression regarding the validity of the certificates:

"When you have three certificates from three different institutes, then you can trust."⁴⁸⁵

However, in 2007, the government banned museum officials from issuing certificates of authenticity to the commercial art market in an expert capacity. To fill the gap in official expertise in Russia, Rossvyazokhrankultura granted licenses to 400 experts, and in addition, the dealers' association ICA&AD has appointed 12 experts from its membership.⁴⁸⁶

Traditionally, there have been expert departments in the Russian museums, which have conducted attribution studies for private persons. However, first, along with the sudden development of free art markets, attributions offered possibilities for the art experts to earn compensation, for example, through writing certificates of authenticity. The rapid changes resulted in profit-making expertise and transitions in museum practices: while,

⁴⁸³ Ledeneva 2004, 84-85. This can be considered a difference between the cultures of expertise in Finland and in Russia. It almost seems that, in Finland, possessiveness of one's own knowledge and concern over being branded as unqualified hinders expert networking.

⁴⁸⁴ From the customer's point of view, the problem lies in liability, as a museum that delivers a certificate is not liable to the client. Even if an inaccurate authentication is confirmed in court, there is minimal opportunity for the client to receive compensation. Russian Finance Report 2004 on WPS Russian Media Monitoring Agency Web pages.

⁴⁸⁵ Art specialist Alexandr Kuznetsov interviewed by the author 16.8.2006.

⁴⁸⁶ McAndrew 2009, 144.

previously, all information was shared between colleagues working for the museum, now, the competition for clients has started to prevent cooperation.⁴⁸⁷

There have also been changes in the transparency of the expert networks that add to the social capital of the networks of Russian art experts. The experts' reactions to the media and to publicity in general changed during the period under study. Previously, Russian experts consulting with Finnish auction houses remained rather anonymous; their photographs were rarely published, and their schedules were kept secret from the public as long as possible. Today, the experts are featured in advertisements, catalogues, and auction houses' Web pages. They also take part in seminars organized by auction houses in Finland and in Sweden. Moreover, being named as an expert in the media has become a way to attain status both in the field of art and among colleagues. Generally, to the experts, being active in the media helps to create social capital in the form of trustworthiness, as people have a tendency to consider that appearance in the media equals to general approval of some degree.⁴⁸⁸ The contacts to the media are to a great extent dependable on the auction houses own imitative.⁴⁸⁹ Thus, media coverage depends also on the experts' capability of communicating with the representatives of media.

In light of the above, it could be stated that networking can be considered the new umbrella term for the sharing of information, tools, skills, and opportunities in the market for Russian art.⁴⁹⁰ It can be further demonstrated that these aspects of the roles of cultural competence, and expert networks are not new to the players in the international art market. For example, MacDougall's Fine Art Auctions entered the London market for Russian art just as it started to expand in 2004. Six years later, MacDougall's sales counted for about 25 percent of the London Russian art market. What makes MacDougall's Fine Art Auctions different from the traditional ones is the fact that they trade only in Russian art. According to co-director Catherine MacDougall, the auction house has created a completely new model of holding auctions. It seems that their main strategic tool for success in the Russian art market is the notion that art should be sold in collaboration with the top experts in Russia. According to MacDougall, "they can make authoritative judgments on authenticity."⁴⁹¹ After the authoritative judgments are made and the attribution process has come to an end, the task of the expert is to generate visions regarding the price for which the painting could be sold as the key experts usually do not give statements concerning the monetary value of the paintings.⁴⁹²

As to the certificates of authenticity, it has been suggested that the auction house experts should stand behind their own opinions on the painting, its

⁴⁸⁷ In practice, the cost of such research was one ruble. Art specialist Vladimir Petrov interviewed by the author 24.4.2012.

⁴⁸⁸ Director and curator Anders Bengtsson interviewed by the author 28.2.2006.

⁴⁸⁹ Managing Director Claire Svartström interviewed by the author 7.9.2006.

⁴⁹⁰ Laird 2006, 7.

⁴⁹¹ Varoli in *Telegraph* 2.3.2010, online supplement produced and published by Rossiyskaya Gazeta (Russia).

⁴⁹² Specialist Stig Eklund interviewed by the author 2.6.2006.

attribution, and authentication. The key expert statements should thus be regarded as support, instead of something to protect oneself from criticism.⁴⁹³

4.4.3 Visions

In auction business, the value assessment of art is based on the principle of supply and demand.⁴⁹⁴ In practice, each artwork obtains three values: lower and higher presale estimates and a reserve price. The exact estimated value is said to fall somewhere between the lower and the higher estimate. The third value assessed during the presale estimation, the reserve price, is neither published nor indicated. The consignor confirms the reserve price, often after consulting with the auctioneer. It is, however, possible to consign an object without a reserve price. In such a case, it can be sold at a remarkably lower price than its estimate. The marketplace experience reported by major auction houses indicates a tendency for reserve prices to be set in a range around 75% of the presale low estimate.⁴⁹⁵

Instead of being able to rely merely on their own intuitions and considerations during the consignment process, the auctioneers are constrained in the terms that they can offer their customers.⁴⁹⁶ Moreover, it is unlikely that an expert will be able to predict exactly how much future customers will be willing to pay for the lots in an auction.⁴⁹⁷ According to an informant, it is easier to predict that moderate-quality objects are more likely to remain unsold than to estimate how high the price of the top lots will rise, which seems almost unpredictable.⁴⁹⁸ However, certain devices now affect the price of art objects and are likely to be considered by the auctioneer when setting his estimates.

There are certain assumptions on the factors determining price of paintings in addition to their intrinsic attributes and provenance that are followed in the art market. Firstly, timing, location, publicity, commissions and competition. For example, it has been argued that sales during summer months experience the lowest prices, while late spring and fall sales command not only high prices but also media attention.⁴⁹⁹ In building the auction, the expert should further bear in mind the effects of the declining price anomaly. Accordingly, as clarified by Ashenfelter, “--when identical lots are sold in an auction, prices are more likely to decline than increase with lots.”⁵⁰⁰ Accordingly, during the consignment process, the expert should keep track of the objects already consigned and, if possible, place identical lots in separate

⁴⁹³ Managing Director Mikael Schnitt interviewed by the author 15.2.2013.

⁴⁹⁴ Velthuis 2002, 137.

⁴⁹⁵ McAndrew and Thompson 2007, 592.

⁴⁹⁶ Mizruchi and Stearns Brewster 2001, 649. The latter falls outside of the scope of the present thesis but will be referred in presenting a holistic view on the process and factors affecting the creation and lack of social capital in it.

⁴⁹⁷ According to Becker, a customer's motives in buying art can include anything from cultural snobbery and sheer financial speculation to a deep engrossment with painting for its own sake. Becker 1984, 113; Moulin 1967, 190-225.

⁴⁹⁸ Chairman of the board Wenzel Hagelstam interviewed by the author 13.11.2006.

⁴⁹⁹ Agnello 2002, 46.

⁵⁰⁰ Ashenfelter 2003, 36.

auctions. Although, in the field of Russian art, the supply is considered so scarce that the declining price anomaly cannot be considered a common phenomenon, it constitutes a general practical aspect of the consignment process.

In the creation of the visions of the estimated value, attention should be paid to the circle-like action that results from the leader-follower relation in the fine art auction business. In other words, in this branch, objects that have previously stimulated interest and discussion before the sale and are believed to be favored by the leading collectors are often considered to be of high quality and are thus desired by the follower collectors. Accordingly, the high prices that result from the bidding between these leaders and followers help to confirm that these works are of high quality.⁵⁰¹ This further affects the later pre-sale estimations concerning similar paintings by the same author. The success of previous sales will be reflected in higher evaluations, as the assessment of quality is considered reinforced and demand discovered. In addition, as a result of the psychological endowment or framing effect, objects being consigned are valued higher by the consignor than the price they are acquired for.⁵⁰² In addition, it should be noted when setting up visions for the sale of paintings of Russian art that the appearance of an art object in the media can have a positive effect on the price of the artwork. Accordingly, an art exhibition, event, or jubilee is likely to raise interest in the media and, therefore, to affect sales. This can be attributed to the fact that awareness of the artist and his work among potential customers grows. For example, if one owns a painting by a certain artist and sees paintings by the same artist in the media, this might motivate one to further action: to add to one's collection or disperse it by selling it for compensation.⁵⁰³

The prevalent view in the art market is that it is relevant to keep the visions realistic, as it is for the common good, and for reputational reasons:

*"If it goes well in the end, this person can tell her neighbor and neighbor's cousin that Paul did a good job, maybe he estimated little carefully but it went damn well. And this way the rumor and credibility goes about."*⁵⁰⁴

In practice, this means that there can be found random errors in the estimated objects' values as suggested by Scorcu and Picci.⁵⁰⁵ The relevance of realistic vision can, however, be overlooked owing to the competition factor or auction culture; for example in the Swedish art market art is traditionally underestimated.⁵⁰⁶ Promising a slightly higher estimate for a painting prevents the customer from consigning it to another auction house. Accordingly, the sales that the Finnish auction houses have succeeded in have resulted in tight competition between the companies. The high hammer prices have also

⁵⁰¹ Becker and Murphy 2000, 80.

⁵⁰² Uusitalo and Jyrämä 2008, 66.

⁵⁰³ Entrepreneur Nelli Smirnova interviewed by the author 25.4.2006.

⁵⁰⁴ Art consultant Paul Hörhammer interviewed by the author 9.10.2006.

⁵⁰⁵ Scorcu and Picci 2002, 112-113; Milgrom and Weber 1982.

⁵⁰⁶ Curator Knut Knutson interviewed by the author 14.2.2006

attracted sellers to compete for best estimate prices. However, it should be considered that the majority of the sellers of Russian paintings were not aware of the potential value of their possessions at the beginning of the boom. Therefore, there was a challenge for the experts in this field to educate the audience to become able to tell the difference between paintings, to recognize quality, and to educate themselves further to keep up with the pace.⁵⁰⁷ As stated by one of the informants, the study on the possibilities where to consign should reach further than to the level estimate prices:

“Rather than contacting the auction house that promises the highest estimate price, you should study the marketing strategies of the companies, their customers and contacts.”⁵⁰⁸

Accordingly, it can be stated that in some cases lower estimate price can produce better results when facilitated with good marketing strategies and networks. When this is the case, the potential sale results show a high rise from estimate to ultimate sale price. The findings by Velthuis propose, that in the contemporary market suggest it is not just the price but also the difference between the current price and the original acquisition price that serve as status symbols. His findings further imply that some collectors of contemporary art are triggered by low rather than high prices when they buy art.⁵⁰⁹ This can be considered a character shared by the contemporary art market and the tertiary art market for Russian art. According to the general consensus, the attractiveness of the Finnish art market for Russian paintings during the period under study was, in particular, the low level of prices compared with the price level in the international art market.⁵¹⁰

In comparison, the market for contemporary art offers it players a possibility to post prices high and the discount them. In this way, they can offer the consumer a possibility derive utility from the conspicuous price but pay the real, bargained price.⁵¹¹ In the pricing strategies of the auction business, this possibility is lacking. Even though the buyer would be able to obtain the painting for a price lower than the estimate, this price will stated in the list of sold objects published after the sale. It also affects the price indices negatively.

Before dropping into the conclusion that paintings should be rather estimated too low than too high, the challenges for this argument should be discussed. Namely, it has been argued that low price in the contemporary art market are not taken seriously. Although the lower price range may please the collectors, it incites distrust about the quality of the work in the market.⁵¹² In comparison, in the market for Russian art in Finland, the low level of prices has

⁵⁰⁷ Antique dealer Bernt Morelius interviewed by the author 8.5.2006.

⁵⁰⁸ Art consultant Paul Hörhammer interviewed by the author 9.10.2006.

⁵⁰⁹ Velthuis 2003, 200.

⁵¹⁰ Erkkilä in TAS 26.4.2002.

⁵¹¹ Velthuis 2003,197; Liebenstein 1950, 203; Veblen 1899.

⁵¹² Velthuis 2003, 194; Moulin 1987. This problematic nature of price mechanism is also often named as a reason why Finnish auction houses do not preferably consign work of art by contemporary artists.

been considered closely connected to the lack of competence and expertise to conduct estimation.

As for the visions, factors worthy of consideration include the location of the market. Traditionally, a remote location has been considered an obstacle for managing customers, for example, for keeping potential consignors and buyers informed about upcoming auctions.⁵¹³ However, due to technological and economic developments the role of the location where the goods are auctioned has diminished. From the consumers' point of view, information about the objects can be found in online catalogues, experts can be consulted by email or telephone, and bids can be placed through online forms. Thus, the role of the location has been replaced by the role of the quality of the objects and the service provided by the auction house.⁵¹⁴ The rise of the Swedish Uppsala Auktionskammare auction house can be considered a good example of this. Located in Uppsala, about 100 km north of Stockholm, the auction house has succeeded in attracting Russian buyers to their sales.

Even though technological developments have made it easier for the markets in more remote locations to attract buyers, the fact remains that auction houses in Finland are unable to set similar price estimates on Russian art as the traditionally recognized auction houses in London. This is despite the fact that Finland is often regarded as a region related to Russian art and thus selling Russian art in such region should increase its value.⁵¹⁵ Accordingly, the expert should be aware of this fact when using previous sale indices as reference material for creating visions and evaluate whether he or she represents the most suitable auction house to consign the object to.⁵¹⁶ Moreover, the expert should consider marketing and customer networks: is the auction house able to attract the required number of bidders that would further represent the quality desired?⁵¹⁷ Furthermore, the location of the market also effects the legislation applicable to the objects, as discussed in the following section.

As a part of the national heritage of a nation, fine arts are protected by laws on the export and import of art objects. In Russia, Russian Federation Law No. 4804-01, Cultural Goods Export and Import, April 15, 1993, article 9 specifies the cultural objects that cannot be exported from Russia. Accordingly, it is prohibited to export valuable pieces of cultural legacy and works that are registered with the state as national treasures. Control for compliance with the law is exercised by the Federal Regulatory Service for Mass Media, Communications and Protection of Cultural Heritage, the Rossvyazokhrankultura, supervised by the government of the Russian Federation. The export of works of art more than 50 years of age from Russia requires, according to Article 17, provision of the right to export cultural treasures, a certificate from the Rossvyazokhrankultura. For this procedure,

⁵¹³ Entrepreneur Nelli Smirnova interviewed by the author 25.4.2006.

⁵¹⁴ Art consultant Paul Hörhammer interviewed by the author 9.10.2006; Antique dealer Bernt Morelius interviewed by the author 8.5.2006. Poellinger in *SVD* 7.6.2006.

⁵¹⁵ Agnello 2002, 46.

⁵¹⁶ Director and curator Anders Bengtsson interviewed by the author 28.2.2006.

⁵¹⁷ Sagot-Duvaurox 2003, 61

documentation on the object, its value, and its ownership is required. In addition, the applicant must pay a fee for a public expert appraiser to examine it and pay a stamp duty. Moreover, the government has pre-emptive rights to purchase a work of art from individual owners when they leave the country both for temporary travel and for permanent exit and try to export the art with them.⁵¹⁸ What should not be overlooked is the fact that the Russian legislation concerning the preservation of cultural heritage also has effects on the Finnish art market, as it reduces the supply of Russian art. As a consequence, innovation has become an initial requirement for the auction houses, as they are forced to find new supply channels. The other option offered to the auction houses as well as to other art market players is to wish for a more profound change in taste toward evolving areas, such as contemporary Russian art.⁵¹⁹

In Finland, the corresponding protective action is carried out by the National Board of Antiquities, whose representatives operate under the guidelines provided in the Act on Restrictions to the Export of Cultural Goods (115/1999). The law covers objects that are over 100 years old and works of art, manuscripts, compositions, and vehicles that are over 50 years old. The law is applied mainly to Finnish objects but also on objects of foreign descent if they have been in Finland for 50 of the last 100 years. In such a case, the objects also must have a sufficient connection to the Finnish culture. Objects such as photos and medals associated with collections and with national persons of note do not have an equivalent age limitation. Accordingly, all such objects require permission to exit the country.⁵²⁰

Considering the Finnish market for Russian art, the most visible action conducted by the Finnish authorities is the laying of a prohibition of export on an object to be sold. In case such prohibition is set on an artwork consigned to an auction, it will be stated in the auction catalogue, during the exhibition, and during the auction, depending on when the limitation has been given force. In some cases, the prohibition of export set on a consigned object might result in the withdrawal of the object from the auction. This is owed to the fact that such prohibitions limit the potential clients to those not planning to take the object out of the country to whose cultural heritage it belongs. Accordingly, the setting of a prohibition of export on an art object might affect the competition and further price development at the auction. This fact is applicable especially in the market for Russian art, as most of the buyers in this market are of Russian descent. Thus, the possibility of such a prohibition should be studied and taken into consideration during the consignment process when setting up visions for the sale of paintings. Overall, it should be noted that the embargo on the export of culturally significant objects is regarded as a last barometer of the value of the object.⁵²¹

Finally, taking into consideration the aspects of art investments in setting visions for the estimated value of the consigned paintings, it should be noted

⁵¹⁸ McAndrew 2009, 139.

⁵¹⁹ Markina and Kharchenko in *Kommersant* 17.5.2005.

⁵²⁰ Laki kulttuurisineiden maastaviennin rajoittamisesta 115/1999.

⁵²¹ Nyrhinen in *AL* 24.12.2006.

that, as the art market consists of several sectors that all have their own characteristics and lacks an underpinning structure, investment value is difficult to define. This supports the utilization of the aspect of conspicuous consumption in art evaluation to establish and understand financial values such as presale estimates.⁵²²

Summarized, when the attribution is conducted, the general price level for the painting is detected. The painting is compared by its characteristics to paintings by the same artist previously sold on the art market. Tools in this process include price guides, auction catalogues, and expert opinions. When the estimated price is determined, the expert has to decide whether it is realistic and attractive enough both for the potential buyer and for the consignor. In delivering such service, auction house experts demonstrate the competence of the company.⁵²³ The actual process of setting the presale estimate is described by Paul Hörhammer as a varied process:

[...] different auction houses and different experts inside them conduct estimations differently. Also the goal of the price assessment has its impact on the process.⁵²⁴

Thus, it seems infeasible to provide a structured method for conducting presale estimations. As stated by an informant, the process is more or less based on the expert's intuition on the potential demand for the objects.⁵²⁵

4.5 Obtaining consignment agreements

After the results of the presale estimation service have been set and communicated, the challenge to the auctioneer is to obtain the consignment agreement. For the consignor to sign the contract, he or she should find eligible both the visions of the expert converted into estimates during the pre-sale estimation service in addition to the contents of the consignment agreement. Moreover, to be compliant to consign the artworks to the auction house, the consigner should trust that the terms agreed upon are realized. In other words, the consignors should feel that they are in good hands, that painting will be sold according to their estimated value, and that they will receive their money at the end of the auction process.⁵²⁶

⁵²² Burns in *The Art Newspaper* 5.7.2012.

⁵²³ In order for a company to be considered competent, the employees should possess the appropriate skills and knowledge to perform the service. Gilmore 2003, 15.

⁵²⁴ Art consultant Paul Hörhammer interviewed by the author 9.10.2006.

⁵²⁵ Specialist Stig Eklund interviewed by the author

⁵²⁶ Director and curator Anders Bengtsson interviewed by the author 28.2.2006.

TABLE 8 Aspects considered relevant when signing a consignment contract.

What should be considered when signing the consignment agreement	Total answers
Competence	3
Extra costs	3
Company is trustworthy	1
Conditions of consignment	1
Discretion	1
Network of the company	1
Money traffic	1
Practical information	1
Taxation	1
Time of the sale	1
Grand Total	14

During the interviews, the informants were asked to name facts the consignor should know when signing the consignment agreement. The answers by the auction house representatives⁵²⁷, pivoted in Table 8, are understood as aspects the auction house representatives aim to emphasize before and during the consignment process. Accordingly, the answers bring forth the role of competence and commissions together with other additional costs in the consignment negotiations.

The high degree of uncertainty that characterizes the market for Russian art, stems mainly from the difficulty of objectively measuring the quality of the paintings. Another element contributing to the uncertainty in this market is the tacit knowledge that can be acquired only through active participation in the market place, as stated by Yogev in relation to markets for contemporary art.⁵²⁸ As the consumers cannot verify or falsify the experts' findings during the consignment process themselves, they must find credible the experts' claims regarding the value and authenticity of paintings.⁵²⁹ To be assured by the credibility of the claims stated by the expert, the consignor should trust the expert. This can be demonstrated with an example concerning forgeries. In such cases, negative information about the authenticity of a painting is best obtained from the expert who has encountered the potential consignor in the first place or from an expert who has social relations with the consignor.⁵³⁰

There is mounting evidence demonstrating that, when parties trust each other, they are more willing to engage in cooperative activity through which further trust may be generated.⁵³¹ In relation to networks, it has been stated that the greater the market uncertainty, the more the players engage in exchange relations with those with whom they have transacted in the past. When the past experience lacks, the status of the potential exchange partner may be used as an

⁵²⁷ In this table, the answers by other art market experts were left outside the pivot table.

⁵²⁸ Yogev 2010, 529.

⁵²⁹ Kouzes and Posner 2003, 69.

⁵³⁰ Bonus and Ronte 1997, 110-112.

⁵³¹ Fukuyama 1995; Nahapiet and Ghoshal 1998, 250; Putnam 1993.

indicator for evaluation.⁵³² According to the informants, the most important factor affecting the creation of trust toward an auction house is the competence it is able to demonstrate.⁵³³ Presenting competence is, furthermore, vital to the auction house, as professionals in general tend to enjoy a higher degree of trust than non-professionals, and the concept of professional services serves as a prototype of high trust.⁵³⁴

However, trust is not only created during the social interaction throughout the auction cycle but can also be diminished. According to the informants, there could be detected factors that potentially diminish the trust of the potential consignors toward the auction house and/or its experts. Such factors include nonchalance toward customers, disarrayed reception, failed marketing, and inapproachability.⁵³⁵ Moreover, what should be considered is that, in the context of the consignment process, trust or its absence can, to an extent, be replaced as discussed in the following section.

During the consignment service, an auction house pulls its employees' competence and skills into interaction and exchange with customers and outside sources. In this interaction, personal traits and efforts do matter greatly for success in this interaction in addition to social factors, as individuals can override their initial social capital allotments.⁵³⁶ The fact that we are today living in a network of communication supports not only the expectation of rapid communication but also the expectation of the employees' ability to manage diverse social relations. Within such a framework, emphasis is laid on the experts' ability to analyze and attain cooperation with groups in the field and with colleagues inside the company – in other words, on his or her social skills. Social skills can be characterized as an ability to analyze and attain cooperation within groups in the field and with colleagues inside the company. Skilled social players relate emphatically to the situations of other people. In doing so, they are able to provide those people with reasons to cooperate. The role of social skill is stressed during times of social turbulence or uncertainty.⁵³⁷

⁵³² Podolny 1994, 460.

⁵³³ Specialist Stig Eklund interviewed by the author 2.6.2006; Art consultant Paul Hörhammer interviewed by the author 9.10.2006; Curator Knut Knutson interviewed by the author 14.2.2006; Antique dealer Bernt Morelius interviewed by the author 8.5.2006; MD Claire Svartström interviewed by the author 7.9.2006.

⁵³⁴ However, this does not mean that they would not be able to betray trust placed in them. Fukuyama 1995, 223.

⁵³⁵ The results of the interviews indicate that the main factors that the informants regarded as factors that could diminish trust toward an auction house during the auction cycle were previous sales of fakes and imprecise catalogue texts, both consequences of incompetence. In connection to the consignment of Russian art in particular, the corresponding factors were imprecise catalogue texts and money transfers. What also was considered to diminish trust was the exploitation of written bids. Chairman of the board Wenzel Hagelstam interviewed by the author 13.11.2006; Curator Knut Knutson interviewed by the author 14.2.2006; Entrepreneur Nelli Smirnova interviewed by the author 25.4.2006; MD Claire Svartström interviewed by the author 7.9.2006.

⁵³⁶ Laird 2006, 3.

⁵³⁷ Fligstein 2001, 107, 112, 114.

Accordingly, the employees of a company can be valued in two ways. First, they can be valued for competence – for their ability to deliver a high-quality product. They can also be valued for their social skills – for their ability to deliver clients. Burt named such client-delivering employees as rainmakers. They are the employees that make it possible for all to profit from work, but they also represent the social capital of the firm. The employees valued for their competence stand for their part for production capabilities.⁵³⁸ An expert with such features is able to emphatically relate to the situations of the consignors. This will assist the expert to overcome obstacles to the signing of the consignment agreement by, for example, psychological endowment or framing effect: because of the framing effect, it is complicated for the consignor to accept a lower estimate price for an artwork than what he or she had anticipated. By empathetically relating to the situation of the consignor, the expert will be able to provide the consignor with reasons to cooperate, particularly during uncertainty.⁵³⁹ Accordingly, contemporary experts are valued in two ways. First, they can be valued for their ability to deliver high-quality consignment service that leads to a successful auction. Second, they are valued for their social skills and for their ability to deliver consignors.

Overall, using the characterization by Putnam, I would describe an auction house expert as a half macher–half schmoozer in the community of the art business: she or he has to follow current events, attend actively in the community, act outwardly, and work on projects. However, an expert is also expected to act less organized and purposeful and maybe more flexible when encountering customers, especially at their homes. Thus, the social settings in which auctioneers operate present both formal and informal qualities.⁵⁴⁰ Accordingly, the context where auction house experts operate further emphasizes the role of social skills.⁵⁴¹

Moreover, it should be noted that the action of the experts is supported through a system of formal rules and regulations that are first negotiated and agreed to, litigated, and finally enforced during the consignment service.⁵⁴² Accordingly, the commercial interaction practiced by the auction house implies a contract, a consignment agreement, that serves as a unit of account and facilitates the exchange.⁵⁴³ A consignment agreement defines what each player brings into and takes from the transaction. The division of benefits between the players depends on their bargaining power, be it commissions or benefits concerning marketing.⁵⁴⁴ This is due to the theoretical rule that, for markets to function, there must be some means of assuring that promises will be kept.

⁵³⁸ Burt 1992, 9.

⁵³⁹ Fligstein 2001, 107, 112, 114.

⁵⁴⁰ Putnam has used the Yiddish term “machers” to describe men and women in the American community who invest lots of time in formal organizations. Schmoozers, on the other hand, devote time to informal conversation and communication. Putnam 2000, 93-94.

⁵⁴¹ Jokinen 2002b, 240.

⁵⁴² Fukuyama 1995, 26, 27, 149.

⁵⁴³ Klamer 1996, 23.

⁵⁴⁴ Caves 2000, 11.

Contracts are maintained both by evoking the law and via people's concern for their reputations.⁵⁴⁵ Accordingly, contracts can be seen as a component capable of replacing social capital in the consignment process. The customer does not have to trust the auction house as the formal litigation of the consignment contract is considered to offer enough protection.⁵⁴⁶ But, for the consignment process to reach the point where the contract is signed the role of social capital is not challenged.

Accordingly, as Finnish auction houses can be described as small and localized, the people working in the auction houses are in constant contact with the customers. The experts are entitled to learn customers' expectations and perceptions through experience. This can be considered to benefit the Finnish art market. In larger companies, it is easier to lose direct contact with the customers, and it is more difficult, for example, for managers to interact directly with customers.⁵⁴⁷ Moreover, continuing relations often become overlaid with social content that carries strong expectations of trust. This social content also motivates one to refrain from opportunism, a prevailing phenomenon also in the art business. In most cases, customers with whom an expert has a continuing relation have an economic motivation to be trustworthy so as not to discourage future transactions.⁵⁴⁸ However, in the context of consigning Russian art in the Finnish art market, once again, the one-time-only aspect has to be regarded with respect to refraining from opportunism.

Moreover, as the context for social capital is dual in the present study, it should be remarked that, in Russia, the culture of formal business contracting has not yet reached its full development; thus, signing a contract is not considered a means to protect the entrepreneur. This emphasizes the status of the firm and the personality of the leaders.⁵⁴⁹ Furthermore, in light of the above, it should be noted that, as the consignment process is, to a point, standardized through universal legal laws and rules, the value of social capital can be considered minor compared to what is expected.⁵⁵⁰

4.6 Realization of estimates in ultimate sale prices

To analyze the accuracy of the price estimates provided by the auction house experts, I calculated the price indices of Russian oil paintings consigned and sold

⁵⁴⁵ Johnson et al. 1999; Macaulay 1963.

⁵⁴⁶ From the auction house's point of view, despite efforts made, the use of formal contracts does not always provide protection from the opportunism in the art market. Instead, a solution can be sought in continuous social relations and trust. This is because opportunistic behavior is closely connected to a lack of reciprocal trust in business relationships. The source for this opportunism originates according to Radaev from the frequent fringement of business contracts which leaves a large room for risk and uncertainty. Radaev 2004, 97.

⁵⁴⁷ Zeithaml et al. 1990, 61, 63.

⁵⁴⁸ Granovetter 1985, 490.

⁵⁴⁹ Radaev 2004, 100.

⁵⁵⁰ Flap 2002, 41.

in the Finnish art market from 2000 to 2008. It has been suggested that, when two estimates are available, the low estimate is often related to the seller's reservation price, while the higher estimate is closer to the actual valuation of the auction house.⁵⁵¹ However, the Finnish auction houses started to use the system of high and low estimate during the period under study, and two estimates occurred, the customers were told that the true estimate lay in between these two values. Since the lower estimate is used as a starting point in bidding during an auction, it is also used as a reference value in these calculations. In Figure 15, the estimates of the sold lots were compared to the hammer prices, revealing the annual increase in estimate prices during the auction. (See Appendix 2 for more details)

The reasons behind such changes lay partly in the afternoon or order of sale effect. Accordingly, hammer prices tend to decrease as the auction goes on. This phenomenon has been observed over the course of sequential English auction of identical, or heterogeneous lots, taking into account their estimate values.⁵⁵² As Alfred Marshall states in the 1890 *Principles of Economics*:

"The price at which each is sold will depend much on whether any rich persons with a fancy for it happen to be present at its sale."⁵⁵³

This result, according to Marshall, reveals high price fluctuations at auctions.⁵⁵⁴ Moreover, the art dealers interviewed in the study conducted by Velthuis argued that the ultimate value of works determined at auction is contingent and is influenced by the excitement of the auction itself.⁵⁵⁵

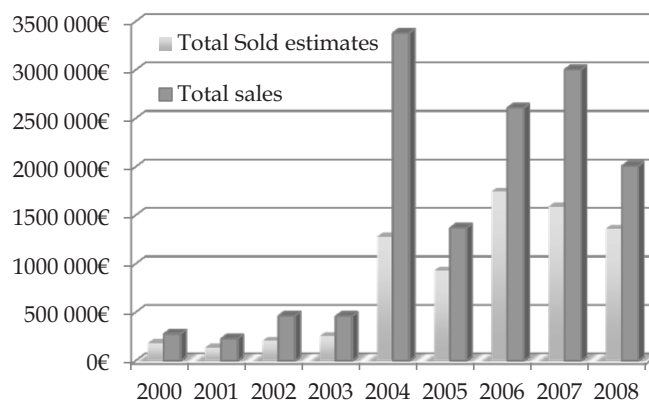


FIGURE 15 The increase in estimate prices at Bukowskis' and Hagelstam's auctions from 2000 to 2008.

⁵⁵¹ Scorcu and Picci 2002, 113; Ekelund et al. 1998.

⁵⁵² Mossetto and Vecco 2002, 17.

⁵⁵³ Marshall 1890, 276.

⁵⁵⁴ Marshall 1890, 276-277.

⁵⁵⁵ Velthuis 2002, 142.

As relevance of a quality judgment is measured through its impact on sales volume, prices, and market reputation of the product, it would have been pertinent to measure the impact of certificates of authenticity on the hammer prices of Russian paintings.⁵⁵⁶ Doing so, however, was not possible because the indications of whether these certificates have been assessed changed during the period under study. The name of the expert used was stated in the catalogue at some auctions but left out of the lot description in others.

4.7 Managerial implications of social capital as a strategic tool in the consignment process of Russian art

In the tertiary art market, social capital accumulates in the structure of relations between and among players.⁵⁵⁷ By joining a social network, experts invest in social capital in a way that leads to information flows, which benefit both the investor expert and other members of the network.⁵⁵⁸ The accumulation of status should also be seen as a form of social capital.⁵⁵⁹ In the light of the research material, creating relationships with other players in art business can be considered a means to attain status, and obtaining reputation through the relationships and as a ways to gain knowledge of the proper ways to do business in the art market.⁵⁶⁰

In the light of the empirical material, it should not be overlooked that auction houses also adapt investments to the preferences of the stakeholders. For example, in response to the buyers' requirements, Russian experts are used in the consignment process of Russian art for additional competence. This measure is further justified by the results presented by Håkan Håkansson and Ivan Snehota in their article, "No Business is an island: The network concept of business strategy", suggesting that the pattern of activities should be emphasized, because it has an impact on the achievement of the organizational goals in the given environment.⁵⁶¹

The quality of the interactions can rarely be standardized, because dealings with people cannot. This difficulty adds to the importance of social networks in the auction business, because they raise the value of social capital. In practice, providing high-quality service can favor of the company only if each member of the auction house acknowledges its importance. Then, high-quality service becomes a strategic strength for the company. Social capital, merged with knowledge of the needs of different customer segments, and their management through high-quality service is thus a winning strategy for an auction company.

⁵⁵⁶ Rössel and Beckert 2012, 7.

⁵⁵⁷ Coleman 1998, 98.

⁵⁵⁸ Glaeser et al. 2000, 13.

⁵⁵⁹ Glaeser et al. 2000, 14.

⁵⁶⁰ Jyrämä and Morel 2009; Bourdieu 1984; Becker 1982.

⁵⁶¹ Håkansson and Snehota 2006, 261, 257-258.

Considering social capital as a strategic tool from the company's point of view, it should be noted that the creation and maintenance of, in particular, the relational and cognitive dimensions of social capital are costly. Consequently, the development of social capital requires an understanding of the relative costs and benefits likely to be derived from such investment. The benefits vary according to the size and complexity of the social structure in which social capital is embedded. This is because the cost of maintaining relations usually increases exponentially as a social network grows.⁵⁶² This cost factor justifies overlooking the potential benefits of networking in organizational management.

In this sense, auction business can be considered an exchange setting with limited complexity in which the value of social capital is highly due to the combination of high gains in trade and low enforcement costs even if inclusiveness is low. As a relatively less dynamic industry, the auction business presents an environment in which relationships do not become obsolete as quickly as in a more dynamic, changeable environment. In the auction business social capital is valuable, because gains from trade are high and enforcements costs are low even though social capital is created in rather exclusive networks.⁵⁶³

Given these considerations, in the tertiary art market for Russian art, an auction house creates knowledge, knowing capability, and competence by combining the knowledge and experience of different players through networks. Knowledge capability depends upon exchange among these players, because privileged access to information and to opportunities is gained only through the contacts or connections in the networks.⁵⁶⁴ Thus, auction house experts use their external social networks to seek assistance and references from those, even competitors, who have knowledge of Russian art or past experience with key experts.⁵⁶⁵ This practice follows Flap's investment hypothesis, suggesting that people invest in social capital according to its instrumental value for producing their ends, in this case, competence acquired through social relations. Accordingly, in addition to expertise on art, auction house experts should possess expertise on key experts.

⁵⁶² Nahapiet and Ghoshdal 1998, 260-261.

⁵⁶³ The diamond industry, an illustration for this point, has been traditionally dominated by a rather limited number of Orthodox jews and the whole sale diamond market in New York can in fact be considered a closed community. Accordingly, the close ties in this market provide an insurance for the transactions in which trustworthiness is taken for granted. Bernstein 1992, 140; Coleman 1998, 99.

⁵⁶⁴ Nahapiet and Ghoshal 1998, 243, 245, 248.

⁵⁶⁵ Jyrämä 2008, 74; Chairman of the board Wenzel Hagelstam interviewed by the author 13.11.2006.

5 CONCLUSION

5.1 Summary

The research focused on intangible capital in the tertiary art market. The tertiary art market provides an excellent framework in which to investigate questions on social interaction, because the practices conducted in this field are, to a great extent, unfamiliar to the public. The wide range of literature on fine art auction business has primarily emphasized price formation and auction practices. To fill the remaining gaps, this study examined the social interaction that occurs during the building of the foundations for the auction, in other words, during the consignment process.

The discourse drew on a question that was raised early in the history of social sciences and that has been further elaborated in economics, namely in what ways does intangible capital make players' actions more productive and efficient? According to the hypothesis presented in the study, art experts benefit from intangible capital by increasing the probability of obtaining consignment agreements in the auction business. Thus, the first research question is:

How do art experts benefit from intangible capital in the process of obtaining consignments in the fine art auction business?

As auction houses live on sellers' commission and buyers' premium, enforcing a consignment contract was discussed. These ideas about the role of intangible capital and the prevalence of informal and formal contracts formed the basis for the second research question:

Can the influence of intangible capital on the probability of obtaining consignment agreements be replaced with other factors?

Attention was further paid to the tertiary market for Russian art due to the increase in prices, competition for market shares, and the challenge of paintings

with questionable authenticity entering the market. These factors raised discussion of the requirements for competence in this area. The study focused the contemporary Finnish market of Russian art, particularly 2000 to 2008 which corresponds with a boom period in the Finnish Russian art market. Russians, the largest buyer group for Russian paintings, started collecting extensively in around 2000. By 2007, the sales in this market had exploded, and by the following year, the impact of the global economic crisis was evident in the art market.

To clarify the arguments, the consignment process and the role of intangible capital in it were made transparent by describing and analyzing the process. Of all the concepts discussed in connection to intangible capital, social capital was the most beneficial within the given framework of consignment process. Accordingly, social capital was understood as an asset that abides in the social relations of an auction house, forming networks as depots for these relations. The emphasis on this aspect was supported by previous research on social capital that identified investments in social relations with predictable returns as that the core of social capital. The goal of redefining social capital was to more efficiently group together the various components of intangible capital for the purposes of this study. In addition to trust and reputation, networks, social skills, and knowledge were considered components of social capital.

The starting point for the discussion of social capital in this study was the assumption that auction houses aim to build expert networks to support their competence and therefore respect employees rich in social resources who are seen as capable of acquiring and retaining customers. Thus, this study focused on the impact of the social capital in an auction house's relations to its key experts, on the auction house's ability to acquire new knowledge and exploit it to obtain consignments. This consideration gave rise to the third research question:

How does social capital benefit the auction house in external knowledge acquisition?

In the theoretical framework of the study, literature and previous research were discussed from a multidisciplinary point of view. The theoretical starting point for this study was that cultural, sociological, commercial, and aesthetic factors govern the tertiary art market. Accordingly, the two seminal texts by Becker and Bourdieu presenting the sociological view of art were discussed. Both texts describe and analyze the social construction of aesthetic ideas and values. This study adopted Becker's guideline that understanding the existence of art worlds and their effects on the consumption of artworks calls for such a sociological approach to the arts. Finally, drawing on the sociological approach to the arts and the art market, the primary framework for the present discussion was provided by Moulin's study on the modern French art market in the 1950s and 1960s and Jyrämä's study on the structure and actors in French, British, Swedish, and Finnish art markets.

In addition to sociological views on the art market, the literature has increasingly seen applications of economic theory and analysis to the relations between consumption and the value of art. For consideration in this study, such sources were required to discuss and analyze the presale estimation performed in the consignment process. This strand of literature holds that art should be treated like any other commodity in the context of economics.

In addition, from strategic management, the intellectual capital perspective of the firm was adopted, particularly impact of the transformation of resources from one to another. Accordingly, this study focused on human and relational resources, such as knowledge, social skills, and valuable relationships, that could be transformed into organizational resources owned by a firm.

These arguments were based on qualitative, empirical evidence about the interaction among players in this market. Information from the literature was supported by subjective observations of the practices of both art market experts and consignors. I acquired the data used in this study had been acquired partly while working in the Finnish Bukowski-Hörhammer fine art auction house, later Bukowskis, from 2003 to 2005 and while I have worked predominantly on the doctoral thesis project since 2006. The methods and theories used to overcome the challenge created by my personal closeness to the topic and the market under observation have been described in great detail. In addition to field observations, a series of semi-structured interviews was conducted.

The study was constructed to move from abstract to concrete topics. The goal of the introduction was to state the research questions and to tie the present study to the societal frame of reference and current interests. It also noted concepts relevant to the précis of the study in the third discussion chapter. The first discussion chapter introduced the theoretical aspects of the art market and discussed the context in which the interaction takes place, emphasizing art's problematic role as a commodity. This discussion presented an overview of the structure of the art market, the widely studied context for the social interaction examined in the present study. The second discussion chapter moved further toward the concrete and surveyed the practical aspects of the art market, in particular, on the market for Russian paintings. The chapter also drew on examples of the quantitative aspects of the art market, reviewing the supply of lots and price development in the market for Russian art. Finally, the third discussion chapter reached the concrete, integrating the theoretical considerations with data obtained through interviews and observational data within the framework built in the second chapter. The third discussion chapter concentrated on the managerial implications of intangible capital for the tertiary market for Russian art in Finland.

Understanding the art market as a social structure, this study turned to the players' actions and the game in the art market, and the rules regulating it were presented. Furthermore, the characters of the goods in this market as subjects of trade and appraisal possessing social attributes were analyzed using Veblen's and Riukulehto's texts as primary guidelines. This analysis revealed that the

auctioneer's function as an expert, agent, and middle-man in the art market game is to convert the intangible value of a work of art into a valid economic value and, to determine the price that potential buyers will be willing to pay. Accordingly, auctions were considered institutions that maintain communities of interest and trust and further establish the legitimacy of value determination through their competence in the art market game.

In the Finnish tertiary market for Russian paintings, the challenges facing the auction house and its experts highlighted social capital as a beneficial factor. Indications of this function arose in the statements of art market experts and in advertising and marketing in this field. For example, art market players have largely recognized the provision of high-quality service as a legitimate competitive strategy for an auction house. Moreover, the need for auction houses to connect with Russian key experts for added competence has been acknowledged internationally.

Drawing from the research material, the high degree of uncertainty which characterizes the market for Russian art has stemmed mainly from the difficulty in objectively measuring the quality of the paintings. Another factor contributing to the uncertainty in this market is the tacit knowledge that can be acquired only through active participation in the market-place. As consumers themselves cannot verify the experts' findings during the consignment process, they must rely on the credibility of experts who make claims about the value and authenticity of paintings.

Instead of utilizing their own intuitions and considerations during the consignment process, auction house experts are constrained by various factors. For example, it became evident that during the consignment process, experts' actions are regulated through a system of formal rules and regulations. Accordingly, the commercial interaction practiced by the auction house implies a contract, called a consignment agreement, that serves as a unit of account and facilitates the exchange. A consignment agreement defines what each player brings into and takes from the transaction. The division of benefits among players depends on their bargaining power over, for example, commissions. These agreements are based on the theoretical rule that markets require some means of assuring that promises will be kept in order to function. Contracts are maintained both by evoking the law and concern for one's reputation. Contracts then can be seen as a possible replacement for lack of trust in the consignment process. However, it can be argued that the consignment process works better when trust exists.

To be credible, experts must possess the requisite competence. The lack of reference material on Russian paintings in Finland and of catalogue raisonnés and artist monographs in general point to the need for expert networks for information about Russian paintings in Finland. The research material makes it clear that auction house experts use their social networks to seek assistance and references from those, even competitors, who have knowledge of Russian art or past experience with key experts. Moreover, since the auction house's reputation depends to a great extent on the competence it can present, in

addition to its expertise in art, auction house experts should know the key experts. Therefore, social capital can be used as an instrument to realize the goals of strategic management in the auction business.

Finally, during the micro-level managerial discussion of the benefits of social capital to acquiring external knowledge, it became evident that, when auction houses invest in expert networks, they obtain human capital in return. This finding is based on the results of the study showing that social capital helps the auction houses obtain consignments. By investing in key expert networks, auction houses gain access to new knowledge. Utilizing this knowledge during the consignment process in customer relations and marketing, auction houses transform it into competence, which enhances their reputation. If the auction house and its experts indicate further willingness to adapt to the needs of the consignor during the consignment process, the experts can use their social skills to create positive experiences concerning the presale estimate service.

Ultimately, the given definition for social capital served as the basis for a relevant discussion of the components of social capital within the framework of knowledge-based organizations. The managerial implications of this study's results suggest that social capital aids the experts in securing consignments when used as a strategic tool to develop expertise, customer relations, and value assessment. The results point to the strategic value of social capital in fine art auctions and introduce new micro-level opportunities for using social capital to acquire competitive advantages for knowledge-based expert organizations.

The main contributions of this study are the following findings:

Intangible capital assists experts in securing consignments when used as a strategic tool to develop expertise, customer relations, and value assessment.

The consignment process can be successfully accomplished despite questions about trust in the relations between the consignor and the auction house, because the consignment agreement replaces trust.

As knowledge-based expert organizations, auction houses can use social capital as a tool to gain competitive advantages in acquiring, transferring and utilizing knowledge.

It can be questioned whether these results are too intimately connected to the Finnish art market to be applicable elsewhere. Although the concept of social capital remains the same in other contexts, its benefits may vary according to the cultural context in which it is used. Studying this subject in the context of another developing art market poses an interesting subject for further research.

5.2 Limitations and future directions

The approach of this thesis presents several limitations that may suggest ideas that could be extended and improved in for future study. First, social media has recently started to affect the art trade. Although this study has discussed this issue, its consequences require further attention. Social media increase the transparency of the field but also have its own drawbacks. For example, generalized online communication⁵⁶⁶ has reduced the role of traditional customer relationships and diminished face-to-face socializing and personal social relations, which could hinder the creation of social capital. However, in some instances, this new means of communication has increased social capital. For example, the online auction web site eBay stands an excellent example of social capital facilitating governance in networks: Each participant has an identity and a record where others can state their trade experiences with this identity.⁵⁶⁷

The effects of social media on social capital have been studied increasingly, for example, in connection to public organizations. Future research could test the hypothesis that, in the tertiary market for art, social media endorses groupings. For example, Bukowskis has launched a new customer site that, after registration offers uncomplicated ways to participate auctions. The customer site includes registries of active customers and other interested players. As a marketer Bukowskis can this virtual group and manage the information about it. The customers, in turn, feel a sense of belonging to a certain group that represents their values, even in the inner circle of the auction. This feeling is increased as the auction house acts as a gatekeeper for who is invited or accepted into the group, requiring personal information to be filled out in a registration form. The registration collects data for further marketing efforts; in other words, such groups are the ready target groups for marketing. Considering the subject of the present study – “sell in good company” – and customer groupings, it can be argued that belonging to a social media group with persons whom one considers elite can be enough to satisfy one’s needs.

Moreover, a new strategy can be detected in the art market that was not visible during the period under study. That is to say, private sales are today marketed as a discreet way for owners to directly sell their art objects. In private sales, auction house experts operate as agents who seek potential buyers for objects whose owners have indicated willingness to sell them outside the auction process. Such business operations profoundly amplify the role of customer networks, social capital, and social skills. Thus, private sales offer fertile ground for future study.

What have not been discussed in the present study are the effects of social media on experts and knowledge production. As social media has created new

⁵⁶⁶ For example, Sotheby’s and Christie’s started their online ventures in 1999. Artnet put their database information about live art auctions online already in 1989. Brooks 2002, 153-154.

⁵⁶⁷ Annen 2003, 466.

communicative modes and relationships, the roles of the expert and the amateur should be compared. Arora and Vermeylen noted this possible change in their article on knowledge production in the digital age and stated that “crowd wisdom is seen as the new guide in constructing and evaluating knowledge.”⁵⁶⁸ Speculations can be made about the role of the expert and the amateur in art evaluation today.⁵⁶⁹ However, in Russian art expertise and the social media, it should not be overlooked that obtaining in-depth information on Russian artists and paintings often requires abilities to read web sites written in Cyrillic letters. Search engines alone will not provide sufficient information but, rather, a biased perspective on both the history and the market for Russian art. The language barrier discussed thus can be seen as a protective factor for connoisseurship in Russian art.

Moreover, online auction technology offers new possibilities to participate for participation an online auction. For example, Bukowskis’ Open Market employs a modus operandi similar to those of eBay and the Finnish Huuto.net: The auction is constantly ongoing, and bids can be made for as long as an object remains open for bidding. The Bukowskis’ Open Market serves as a good illustration of the trend for online auctions to become a more general method of trading various goods. The website also demonstrates the auction business’ willingness to find new customers and adapt to their needs.

During the period under study, the artworks in the market consisted mainly of 19th century paintings. In a recent major change, international auction houses have increasingly sold Russian contemporary art. This change also presents an interesting topic for future research, because it expands the discussion of the cultural competence and the market potential of Russian art due to the buying power of the Russian customers. This trend uncovers the sociological factors of art consumption by customers of Russian descent. In addition, the discussion of the Russified paintings gave little attention to the interaction between Western and Russian art history. The Russified pictures are of Western origin and, thus, part of the western canon but through art expertise, they have been connected to the genre of Russian artists because of the resemblances between the Russified western paintings and the original Russian genre.

A starting point for further study of the creation of social capital in the Finnish art market can also be identified. At the start of the modern art business in Finland in the 1910s, it was dominated by Swedish-speaking dealers.⁵⁷⁰ In fact, it was not until 1937 that the first Finnish-speaking player entered the trade.⁵⁷¹ Perhaps coincidentally, since the appearance of auction houses in the Finnish art market, they have traditionally been run by representatives of the Swedish-speaking minority giving the auction business in Finland a character

⁵⁶⁸ Arora and Vermeylen 2012, 1-2.

⁵⁶⁹ Arora and Vermeylen 2012, 1-3.

⁵⁷⁰ In the Glossary for ICOM Code of Ethics for museums, dealers are described as persons “buying and selling items for personal or institutional gain.” ICOM Code of Ethics. ICOM web pages. <<http://icom.museum/ethics.html#intro>>. 4.2.2010.

⁵⁷¹ Simanainen 2000, 6.

of its own. Until recently, the main body of the customers also, to a great extent, consisted of representatives of Finland's Swedish-speaking families. This situation becomes transparent as customers emphasize their personal contacts and their family's long history of doing business with the auction house. Such relationships are also exploited in business negotiations. For some, these contacts also serve as criteria for deciding where to sell or buy. These ideas are, to a great extent, based on my own observations in the field of the art business. As there is no academic reasoning for these assumptions and this theme does fit fully within the scope of this study, I plan to study this topic further in another context.

Finally, what has fallen outside the scope of this study is the management of social capital inside the auction house. This subject is encapsulated in Aula and Mantere's proclamation that "in addition to other interest groups, the company should take care of its personnel."⁵⁷² Although the bonding views on social capital are considered in Fukuyama's and Putnam's definitions and notes, this topic would offer grounds for a whole new thesis.

⁵⁷² Aula and Mantere 2005, 32-34.

YHTEENVETO

Myy hyvässä seurassa: sosiaalinen pääoma taidehuutokaupan strategisena välineenä myyntitoimeksiantojen hankinnassa

Aineettoman pääoman rooli on viime aikoina korostunut liike-elämän toimintamalleista keskusteltaessa. Tähän ovat vaikuttaneet innovaation, joustavuuden ja korkeatasoisen palvelun nousu yritysstrategioiden keskeisiksi osa-alueiksi.⁵⁷³ Aineettomaan pääomaan viitataan usein tietovoimavarana tai älyllisenä pääomana. Yrityksen aineettomat voimavarat nähdään lisäksi taloudellisina osaamisalueina, jotka korostavat yrityskohtaista inhimillistä pääomaa, verkostoja ja organisaatio-osaamista sekä markkinoinnin ja mainonnan näkökulmia.⁵⁷⁴ Vaikka aineettoman pääoman rooli liiketoimintaa edistävänä tekijänä on ajankohdainen, aihetta on jo pitkään tarkasteltu liike-elämän tuottavuuden ja tehokkuuden edistäjänä varsinkin yhteiskuntatieteiden ja taloustieteen aloilla.⁵⁷⁵

Taidemarkkinoilla aineettoman pääoman rooli on kasvanut markkinoiden laajentumisen myötä. Laajentumisen mukanaan tuoma hinnan nousu ja lisääntynyt kilpailu ovat kasvattaneet haasteita taiteen arvioinnin parissa työskenteleville. Taidemarkkinoilla onkin havaittavissa lisääntynyt tietoisuus osaamisen roolin merkityksestä liiketoimintaa edistävänä tekijänä. Nämä havainnot korostuvat erityisesti venäläisen taiteen markkinoilla. Venäläisen taiteen markkinoiden erityispiirteenä voidaan pitää venäläistettyjen maalausten laajalukuista ilmestymistä tertiäärisille markkinoille.

Tertiääriset taidemarkkinat muodostuvat asiantuntijaorganisaatioista, joiden toimintaan kuuluu yksityisten henkilöiden kuten keräilijöiden sekä taidekauppiaiden ja museoiden omistuksessa olleiden taideteosten välitys.⁵⁷⁶ Tällä tasolla liiketoiminta sijoittuu pääasiassa taidegallerioihin ja huutokauppoihin.⁵⁷⁷ Tutkimukseni kohteeksi valikoituivat huutokaupat, koska maalaustaidteen myyntiä huutokauppojen kautta pidetään nykytalouden johtavana kulttuurisena liiketoimintana jossa korostuu sosiaalinen vuorovaikutus taiteen omistajien ja huutokaupan taideasiantuntijoiden välillä.⁵⁷⁸

Taidehuutokauppoja käsittelevässä kirjallisuudessa huomiota on kiinnitetty pääasiassa hinnan muodostukseen ja huutokauppakäytäntöihin.⁵⁷⁹ Tutkimukseni tarkoituksena on kolmen tutkimuskysymyksen avulla kartoittaa nimenomaan sosiaalisen vuorovaikutuksen roolia huutokauppa-alalla ja määrittää, miten huutokaupat hyötyvät aineettomasta pääomasta hankkiessaan myyntitoimeksiantoja. Myyntitoimeksiantoja voidaan pitää kriittisinä alalla, missä

⁵⁷³ Gilmore 2003, 23; Helakorpi 2005, 11; Ruuskanen 2003, 57.

⁵⁷⁴ A new OECD project. New sources of growth: intangible assets 2011.

⁵⁷⁵ Flap 2004, 17. Katso myös Bourdieu 1984; Coleman 1988; Fukuyama 1995; Nahapiet ja Ghoshal 1998; Putnam 1995.

⁵⁷⁶ Singer and Lynch 1994, 199.

⁵⁷⁷ Robertson 2005, 18-20.

⁵⁷⁸ Barros 2002, 99.

⁵⁷⁹ Ashenfelter 2003, 34.

toimeksiannoista saadut provisiot ovat liiketoiminnan perusta. Lisäksi myyntitoimeksiannot määrittävät huutokaupan laadun. Tutkimuksen tavoitetta tukee oletus siitä, että huutokauppa-alalla toimivat asiantuntijat ovat tietoisia aineettoman pääoman merkityksestä liiketoiminnan edistämiseksi. Määrittääkseni aineettoman pääoman todelliset vaikutukset liiketoimintaan tertiärisillä taidemarkkinoilla kysyn:

Miten taidehuutokaupat hyötyvät aineettomasta pääomasta myyntitoimeksiantojen saamisessa?

Koska huutokauppatoiminta perustuu toimeksiantosopimuksiin, toimintaa säätelevät sopimusoikeudelliset tekijät. Tämä huomio luo perustan toiselle tutkimuskysymykselle:

Onko aineettoman pääoman rooli myyntitoimeksiantoprosessissa korvattavissa muilla tekijöillä kuten sopimustoiminnalla?

Venäläisen taiteen myötä keskustelun keskiöön nousevat huutokauppojen kyky lisätä asiantuntijuuttaan ja sen kautta mainettaan rakentamalla verkostoja venäläisen taiteen avainasiantuntijoihin. Koska hiljaiseen tietoon perustuvilla aloilla, kuten taidekaupan alalla, tiedon saaminen, siirtäminen sekä edelleen hyödyntäminen voidaan nähdä tärkeänä kilpailuetuna, keskustelu tiivistyy kolmanteen tutkimuskysymykseen:

Miten taidehuutokaupat hyötyvät sosiaalisesta pääomasta ulkoisen tiedon hankinnassa ja tämän tiedon hyödyntämisessä kilpailuetuna?

Tutkimuksen pyrkimyksenä on lisäksi kiinnittää huomiota venäläisen taiteen markkinoihin Suomessa. Tutkimuksen ajallinen rajausta vuosiin 2000–2008 vastaa venäläisen taiteen nousukautta Suomen huutokauppamarkkinoilla. Venäläisten ostajien, venäläisen taiteen markkinoiden tärkeimmän asiakasryhmän, määrä alkoi lisääntyä kansainvälisillä taidemarkkinoilla 2000-luvun alussa. Vuoteen 2007 mennessä venäläisen taiteen myynti oli kasvanut räjähdysmäisesti taittuen globaalin talouskriisin myötä 2008.⁵⁸⁰ Taustana tälle kasvulle on vuoteen 2008 jatkunut taloudellinen kasvu Venäjällä, jonka seurauksena maahan syntyi uusi varakkaiden yksityishenkilöiden ryhmä, joka kulutti heille uusiin hyödykkeisiin, kuten taiteeseen.⁵⁸¹ Vaikka tutkimukseni ei varsinaisesti käsittele venäläisen taiteen ostajia, näiden uusien kuluttajien ostokäyttäytymisellä sekä venäläisen taiteen markkinoiden kasvuun vaikuttavilla tekijöillä katsotaan olevan vaikutus venäläisen taiteen omistajien halukkuuteen myydä teoksiaan huutokaupoissa. Lähemmän tarkastelun kohteena ovat 2000-2008 Suomen huutokauppamarkkinoille myyntiin annetut venäläiset öljymaalaukset 1800-luvulta 1900-luvun ensimmäisille vuosikymmenille.

⁵⁸⁰ Adam in *The Art Newspaper* 19 November 2012.

⁵⁸¹ Grampp 1989, 75; McAndrew 2009, 23.

Teoreettisena lähtökohtana tässä monitieteellisessä⁵⁸² tutkimuksessa on huomio, että taidemarkkinoiden toimintaa säätelevät kulttuuriset, sosiologiset, kaupalliset ja esteettiset näkökohdat. 1970-luvulta lähtien taidehistorioitsijat ovat keskustelleet sosiaalisesta viitekehystä, jossa taideteoksia tuotetaan ja käytetään. Taiteen sosiologiassa urauurtavina pidetään Howard Beckerin ja Pierre Bourdieun teorioita.⁵⁸³ Yhteistä näille teorioille on esteettisten ajatusten ja arvojen takana olevan sosiaalisen rakenteen kuvaaminen ja analysoiminen.⁵⁸⁴ Näistä teorioista Beckerin ajatukset vahvistavat sosiologisen tutkimusotteen valintaa tässä tutkimuksessa määrittelemällä sopimuksen yhdistäväksi tekijäksi humanismin ja sosiologian välillä. Huutokauppa-alan liiketoiminnassa tekijät toimivat kentän sääntöjen mukaisesti, mutta käyttäen omia taktiikkojaan, saavuttaakseen yhteisen päämäärän, toimeksiantosopimuksen.⁵⁸⁵

Taiteen sosiologisten näkökulmien lisäksi taidemarkkinoita on tutkittu laajalti taloudellisesta näkökulmista. Näissä tutkimuksissa keskiöön ovat nousseet taiteen kulutus ja arvomuodostus. Taiteen sosiologian ja taiteen taloudellisten näkökulmien osalta esiin nousee erityisesti Raymonde Moulinin tutkimus, joka käsittelee modernin ranskalaisen taiteen markkinoita 1950- ja 60-luvulla⁵⁸⁶ sekä Annukka Jyrämän tutkimus koskien taidekentän rakennetta ja toimijoita taidemarkkinoilla Ranskassa, Englannissa, Ruotsissa ja Suomessa.⁵⁸⁷

Aiemmat tutkimukset ovat osoittaneet, että taidemarkkinoiden toiminnasta ja toimijoista on vaikea saada luotettavaa tietoa.⁵⁸⁸ Olenkin tässä kvalitatiivisessa tutkimuksessa hyödyntänyt useita eritasoisia lähteitä perustellun ja voimassaolevan tiedon löytämiseksi. Nämä lähteet koostuvat havaintomateriaalista sekä yhdestätoista haastattelusta, joihin osallistui taidehuutokaupan toimijoita Suomesta, Ruotsista ja Venäjältä. Tutkimuskirjallisuuden lisäksi lähteisiin sisältyy sanomalehti- ja aikakauslehtiartikkeleita sekä huutokauppaluettelotietoja.

Havainnoinnin valinta yhdeksi metodiksi perustuu näkemykseen markkinoista sosiaalisena rakenteena sekä Neil Fligsteinin huomioon, että ymmärtääkseen keitä pelaajat kentällä ovat, miten he toimivat ja mitä työkaluja heillä on käytössään, tulkitsijan täytyy tarkkailla yrittäjiä ja tutkia heidän taktiikkojansa.⁵⁸⁹ Haastattelujen tarkoituksena puolestaan oli selvittää toimijoiden oletettu tietoisuus sosiaalisen pääoman roolista liiketoiminnan edistämässä sekä karvoittaa millaisina he näkivät sosiaalisen pääoman tarjoamat mahdollisuudet. Lisäksi haastattelujen avulla etsittiin tietoa venäläisen taiteen markkinoiden kehityksestä, siihen vaikuttavista tekijöistä sekä arviointiprosessiin liittyvistä näkökulmista.

Tutkimuksen rakenne etenee abstraktista konkreettiseen: makrotason teoreettisen käsitteiden ja käytännön harkintojen kautta kohti mikrotason liikkeenjohdollisia pohdintoja. Johdantokappale määrittää tutkimuskysymykset sekä

582 Mikkeli and Pakkasvirta 2007, 63-64.

583 Becker 1982; Bourdieu 1984.

584 Zolberg 1990, 4.

585 Becker 1982, x-xi, 1.

586 Moulin 1987.

587 Jyrämä 1999.

588 Jyrämä 2008, 73.

589 Fligstein 2001, 122.

sitoo tutkimuksen viitekehukseensä sekä ajankohtaisiin näkökulmiin. Siinä myös perustellaan tutkimuksen kannalta oleelliset käsitevalinnat sekä määritellään tutkimuksen kannalta keskeiset käsitteet.

Ensimmäisen kappaleen keskustelun valossa lähestyn taidemarkkinoita paikkana, missä taiteen aineeton ja kulttuuriarvo muunnetaan määrälliseksi arvoksi noudattaen alalla vallitsevia sääntöjä.⁵⁹⁰ Kuvaavaa taidemarkkinoille on, että niillä tapahtuvaa kulutusta ohjaavat sekä esteettiset että kaupalliset harkinnat. Erityispiirteenä on lisäksi kaupankäynnin kohteena olevien hyödykkeiden kulutuksen positiivinen vaikutus nykyisiin ja tuleviin kulutus päätöksiin. Tutkimukseni keskiössä oleville tertiäärisille taidemarkkinoille saapuu markkinoiden rakenteen mukaisesti esineitä, jotka on jo aiemmin markkinoiden ensimmäisellä ja toisella tasolla määritelty taiteeksi. Niinpä tertiäärisillä taidemarkkinoilla toimivien asiantuntijoiden tehtäväksi jää näiden esineiden arvon määrittäminen.⁵⁹¹ Toisin sanoen, huutokauppakamareissa työskentelevien asiantuntijoiden tehtävänä taidemarkkinoilla on toimia välittäjänä ja muuttaa taideesteiden aineeton arvo käyväksi taloudelliseksi arvoksi ja sen lisäksi tulkita, mitä mahdollinen ostaja olisi valmis maksamaan teoksesta.

Markkinoiden toimintaan käytännön tasolla keskittyvän toisen käsittelykappaleen tavoitteena on havainnollistaa venäläisen taiteen markkinoiden taustaa keskittyen Suomen ja Venäjän markkinoihin. Kappaleessa käsitellään lisäksi venäläisen taiteen markkinoihin liittyviä, kansainvälisesti tunnistettuja haasteita. Keskustelu venäläisiksi muunnetuista länsieurooppalaisista maalauksista havainnollistaa asiantuntijoille asetettuja haasteita venäläisen taiteen arviointiprosessin yhteydessä. Nämä haasteet korostavat sosiaalisen pääoman merkitystä arviointiprosessissa. Vertailumateriaalin puuttuessa, attribuoinnin varmentaminen edellyttää usein venäläisen tai venäläisperäisen avainasiantuntijan apua. Saavuttaakseen nämä avainasiantuntijat, huutokaupoilla täytyy olla kontakteja joko yhteyshenkilöihin tai suoraan näihin avainasiantuntijoihin.

Tutkimuksen viimeisessä käsittelykappaleessa siirryn tarkastelemaan myyntitoimeksiantopalvelua ja sen sisällä tapahtuvaa arviointiprosessia liikkeenjohdollisesta näkökulmasta. Tässä tarkastelussa haastattelumateriaalin ja havainnoinnin kautta kerätyt huomiot yhdistyvät teoreettisten näkökulmien kanssa taidemarkkinoiden luomassa viitekehyksessä. Tavoitteenani on kuvailla, miten huutokaupan rakentamisessa päädytään myyntitoimeksiantosopimusten solmimiseen asiakkaiden kanssa käyttämällä apuvälineinä sosiaalista pääomaa ja erityisesti sosiaalisia verkostoja sekä näiden avulla saavutettuja voimavaroja.

Tutkimuksen tulokset vahvistivat oletuksen, että taidekaupan toimijat ovat tietoisia sosiaalisen pääoman merkityksestä liiketoimintaa edistävänä tekijänä. Tutkimuksen kontekstissa sosiaaliseen pääomaan investoidaan hankkimalla asiantuntijalausuntoja huutokaupan ulkopuolisilta venäläisen taiteen asiantuntijoilta. Näitä investointeja hyödynnetään arviointiprosessin myöhemässä vaiheessa markkinoinnissa ja mainonnassa.

⁵⁹⁰ Fukuyama 1995, 26, 27, 149.

⁵⁹¹ Fenner 2008, 1, 46.

Arviointipalvelun sisältöä tarkasteltaessa kävi ilmi, että arviointipalvelu on mahdollista suorittaa korkean laatutason mukaisesti myös mikäli myyjän ja huutokaupan välisestä asiakassuhteesta puuttuisi luottamusta. Tämän mahdollistavat esimerkiksi kirjalliset myyntitoimeksiantosopimukset ja niiden sisältämät sopimusehdot, jotka korvaavat luottamuksen puutetta ja näin ollen vähentävät sen merkitystä.

Tutkimuksen tulokset osoittavat, että sosiaalinen pääoma (tieto, luottamus, maine ja sosiaaliset taidot) auttaa huutokauppoja myyntitoimeksiantojen saamisessa. Sijoittamalla avainasiantuntijaverkostoihin huutokaupat saavuttavat uutta tietoa. Hyödyntämällä tämän tiedon arviointiprosessin aikana sekä asiakassuhteissa että markkinoinnissa huutokaupat pystyvät muuttamaan saavutetun, uuden tiedon omaksi osaamiseksi mikä puolestaan lisää huutokaupan mainetta. Osoittamalla halukkuutta sopeutua asiakkaan tarpeisiin arviointiprosessin aikana, huutokaupan asiantuntijat luovat positiivisia kokemuksia arviointiprosessista. Tässä apuna toimivat huutokaupan asiantuntijan sosiaaliset taidot.

Tutkimuksen tulosten mukaan sosiaalinen pääoma on perusteltu työkalu arviointiprosessissa erityisesti hyödynnettynä yhdessä muiden aineettoman pääoman rakenneosien kanssa kehitettäessä yrityksen asiantuntijuutta, markkinointia ja asiakaspalvelua arvonmääritysprosessin aikana. Näiden tulosten myötä väitöskirjani tarjoaa uuden näkökulman sosiaalisen pääoman kautta avautuvien mahdollisuuksien hyödyntämiseen tiedon hankkimisessa, siirtämisessä ja hyödyntämisessä asiantuntijaorganisaatioissa.

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APPENDIX 1

DISCUSSION GUIDE

- What kind of experience do you have from the auction branch?
- How often are you in contact with the business in the branch?

Customers, Market & Marketing

- What first comes into your mind about the term "Russian Art Market"?
- What kind of image has the branch acquired in the public eye?
- Who form the largest customer group considering Russian paintings? Does it differ from buyers of Russian Decorative Art etc.? If so, how?
- Can there be seen any changes taking place under the last six years (2000–2006) on the market for Russian Art? What kind of changes?
- Under what period of time have these changes been taking place?
- What has influenced these changes?
- What kind of expectations do you have about the future on the market?
- What has influenced the price development of Russian paintings?
- How does the marketing of Russian Art differ from the marketing of for example Swedish objects?
- What kind of communication do you consider good?
- How is customer satisfaction stated? / How can a customer state his/her satisfaction?

Auctions – Trust & Reputation

- What kind of role does the name of the auction house play for the buyers? How about for the sellers?
- Which are the three most important factors that affect the choice of an auction house for *the buyer/the seller*?
- Which are the most important factors that create trust for an auction house?
- Which operations would require improvement?
- Which are the most important factors that diminish trust for an auction house?
- Do customers return after having a bad experience?
- What should a customer know about an auction house before committing objects to it?
- How do you see media's role on this branch?
- Kindly list some adjectives that describe an auction house that you personally would trust.

Valuation process

- How would you describe a valuation process?
- Which are the most important things that should be particularly considered when valuating a Russian painting?
- Have these changed under the period of 2000–2006?
- What kind of skills/experience do you consider necessary for the valuation process?
- How much does the context in which the valuation is done effect the result?

Artist	(Show All)
Auction	(Show All)
Technique	oil

		Data					
Year	Auction house	Consigned lots	Sum of Low Est	Sum of Sold Est	Sum of Unsold Est	Total Sales	Sum of Increase %
2000	B	28	164 954€	147 966€	16 988€	217 719€	32 %
	H	10	35 150€	35 150€	0€	59 784€	41 %
2000 Total		38	200 104€	183 116€	16 988€	277 503€	34 %
2001	B	23	122 152€	110 379€	11 773€	193 836€	43 %
	H	8	37 674€	25 228€	12 446€	34 368€	27 %
2001 Total		31	159 826€	135 607€	24 219€	228 204€	41 %
2002	B	32	192 100€	180 000€	12 100€	439 500€	59 %
	H	3	24 000€	24 000€	0€	23 500€	-2 %
2002 Total		35	216 100€	204 000€	12 100€	463 000€	56 %
2003	B	39	203 900€	139 600€	64 300€	280 620€	50 %
	H	8	127 500€	113 500€	14 000€	178 600€	36 %
2003 Total		47	331 400€	253 100€	78 300€	459 220€	45 %
2004	B	100	1 494 700€	1 245 600€	249 100€	3 319 700€	62 %
	H	10	49 450€	31 450€	18 000€	61 350€	49 %
2004 Total		110	1 544 150€	1 277 050€	267 100€	3 381 050€	62 %
2005	B	82	880 200€	706 700€	173 500€	927 110€	24 %
	H	31	368 600€	221 800€	146 800€	443 100€	50 %
2005 Total		113	1 248 800€	928 500€	320 300€	1 370 210€	32 %
2006	B	48	1 396 800€	1 256 300€	140 500€	2 072 150€	39 %
	H	21	549 100€	486 500€	62 600€	535 400€	9 %
2006 Total		69	1 945 900€	1 742 800€	203 100€	2 607 550€	33 %
2007	B	60	870 400€	596 200€	274 200€	1 515 500€	61 %
	H	20	992 000€	992 000€	0€	1 486 800€	33 %
2007 Total		80	1 862 400€	1 588 200€	274 200€	3 002 300€	47 %
2008	B	54	2 249 900€	1 213 300€	1 036 600€	1 830 500€	34 %
	H	12	146 900€	146 900€	0€	176 500€	17 %
2008 Total		66	2 396 800€	1 360 200€	1 036 600€	2 007 000€	32 %