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Observable persuaders: A longitudinal study on the effects of quality signals in the contemporary visual art market

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Publication date

2016

Document Version

Final published version

[Link to publication](#)

Citation for published version (APA):

Kackovic, M. (2016). *Observable persuaders: A longitudinal study on the effects of quality signals in the contemporary visual art market*. [Thesis, fully internal, Universiteit van Amsterdam].

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ACKNOWLEDGMENTS

The very first time I thought about pursuing a PhD was in 2009. I still remember the day vividly: it was sunny and I was talking to Nachoem Wijnberg, my master thesis supervisor at the time, in his office on the second floor of the M-building about the empirical results of my study. About five minutes into our discussion he asked me if I had considered getting a PhD, and before I had a chance to answer he started talking about a grant from NWO, the so-called Mosaic grant, for students who were interested in pursuing a PhD in the Netherlands and were not Dutch. He went into details about who qualifies, explaining to me that either you or one of your parents must have been born in a country that was on this special NWO list. Immediately following, he told me that countries like the United States or Germany would definitely not be on the list, but countries like China, Ecuador and the Slovak Republic, were I was born, probably were. He then downloaded a pdf from the NWO website and said that the application deadline was approaching very quickly and if I was interested in applying I had no time to waste. I left his office that day with lots of questions – e.g., I had no idea what NWO was, let alone what pursuing a PhD entails, and for that matter what academics actually did the whole day – so I went home and started my Google search.

In 2011, my second attempt in being awarded the Mosaic grant was successful; that year there were a little more than 250 applicants across all academic disciplines, of which 19 laureates were selected. In January 2012, I started working as a PhD candidate at the University of Amsterdam; naturally, Nachoem was my supervisor. I was also fortunate to have Joris Ebbers as my co-supervisor. I am grateful to you, Nachoem for making the suggestion I apply for the Mosaic grant and helping me get it, and thank you to both of you for your guidance and friendship during the last four and a half years. Nachoem, your out-of-the-box approach to academia and your creativity in doing research coupled with the slightly more procedural approach Joris maintains provided a nice balance that helped me grow academically and become a better researcher.

I would also like to thank my distinguished dissertation committee members for reading my thesis: Candace Jones (University of Edinburgh), Roy Suddaby (Gustavson Business School, University of Victoria), Joop Hartog (University of Amsterdam), Marc Salomon (University of Amsterdam) and Arno Witte (University of Amsterdam).

Furthermore, I would like to extend my appreciation to the Rijksakademie van Beeldende Kunsten (RABK), Rietveld Academie, the Netherlands Association of Corporate Art Collections (VBCN), Stedelijk Museum Amsterdam, De Pont Museum in Tilburg, and the private art collectors who graciously provided their data to help me build a unique and comprehensive data set to better understand the Dutch primary art market. I would particularly like to thank the RABK residents and alumni, and especially Els van Odijk, Martijntje Hallmann, Sandra Felten, and Janwillem Schrofer for sharing their valuable experience and knowledge as well as archival data with me. Additionally, the 640 Rietveld Academie alumni who filled in an extensive questionnaire about their career trajectories, and Tijmen van Grootheest, Steven Jongejan, Jet Langman, Bienenke Bennekens, Janneke van Leeuwen and Ben Zegers who were instrumental in helping me gather these data. And lastly, I would like to thank the fabulous curators of VBCN from the following member organizations that provided their data for this research: ABN AMRO, Achmea, Aegon,

Ahold, AkzoNobel, AMC, DNB Bank, DSM, Erasmus MC, ING Bank, KPMG, KPN, LeasePlan, LUMC, OCE, Provincie Limburg, RaboBank, Rabo Vastgoedgroep, Sanquin, Stichting Beheer SNS Real, Theodoor Gilissen, and UMC. Without these fine-grained data my research would have been much less complete.

Besides working with Nachoem, Joris, and knowledgeable practitioners at art institutions and organizations that collect art in the Netherlands, I also had the great pleasure to work with amazing co-authors: Joop Hartog, Hans van Ophem, Chuck Weinberg, Maurice Bun and Michele Piazzai. Working with you made me feel as if being an academic is easy and really fun. Thank you for this! Because we all know that research can often be painstaking and solitary. I always looked forward to our meetings that were professional and to the point but at the same time friendly, enjoyable and full of humor. I would also like to thank Mukti Khaire, who graciously extended her hospitality to me. And I am very happy that I recently had the opportunity to collaborate again with Nachoem and the VBCN as well as Arno Witte. This resulted in winning another four-year research grant awarded by NWO. Although we still need to toast to our accomplishment, it was great fun writing the proposal with you and I look forward to working on the project, also with Jan de Groot, during the coming years.

The past four and a half years I spent a lot of time at the faculty, especially in my office behind my laptop. Fortunately, I was able to share my office with some awesome office mates: Anour, Joris D., Daniel, Bram, Robert, Liang and Zhe. Mostly working silently but very often engaging in interesting academic (and non-academic) discussions, I probably spent more time with you than with my family. I was also quickly introduced to academic conferences, which – if you are lucky – are held in exciting places like Florence, Helsinki, Montreal, Monterey, Baltimore, Philadelphia, Istanbul, Vancouver, Valladolid, and Anaheim (ok, not exciting but fortunately very close to LA). In addition to attending paper sessions and PDWs at these conferences, I developed a taste for craft beers that I share with Joris, Bram, Stefan, and a penchant for tapas with Joop. I am fortunate to have wonderful colleagues who provide academic support as well as a fun social structure when traveling internationally. I am also very lucky to have amazing friends: Anette, Gees, Marc, Katja, Lykle, Heleen, Jan and Frank (to name a few) who managed not to fall asleep while I incessantly talked about my research.

I am also extremely fortunate to have boundless support and kindness from my family. Mom and Dad, thank you for your love, patience and support. Thank you for teaching me to persevere while also enjoying life. You are important role models to me because you persistently follow your dreams, even when faced with unexpected circumstances. You are truly inspiring! Michele, my little sister, thank you for your friendship. I truly feel lucky to have such a wonderful friend who is also my sister! And Ginger, my precocious niece, please stay exactly the way you are now: full of life – it will keep your mommy and daddy feeling young forever. And lastly, I would like to thank the most important people in my life: Frits, Alexander and Mikaela. You are amazing and I love sharing my life with you! Thank you Mikaela and Alexander for your zest for life and astute questions about the purpose of life. You keep me on my toes, and I love it! And my dear Frits, without your love and unyielding support my PhD would have taken me a decade to complete. Thank you for providing stability and for being able to relativize curve balls in life with silly jokes that make me laugh out loud. This talent as well as your chicken and brown beans dish is truly unique!

ABOUT THE AUTHOR

Monika Kackovic is currently working as a postdoctoral researcher/assistant professor in the Entrepreneurship and Innovation department at the University of Amsterdam, Faculty of Economics and Business. She graduated cum laude with a Master in Science in Business Administration from the University of Amsterdam. Additionally, she holds a Bachelor of Science in Business Administration from Florida State University and a Bachelor of Arts from the Gerrit Rietveld Academy in Amsterdam, the Netherlands.

In 2012, she was awarded a four-year merit-based scholarship for her PhD research focusing on the effects of quality signals on competitive dynamics in the contemporary visual arts. In spring 2014, she was a visiting scholar at Harvard Business School, hosted by Professor M. Khairi. In fall 2016, she began working as a postdoctoral researcher on a project focusing on corporations that collect art. She actively presents her academic work at international conferences such as: *Marketing Science*, *Academy of Management*, and *European Group for Organizational Studies*.

Monika has regularly been invited to speak at public events, such as a symposium in 2015 at the Rijksmuseum that was organized by the Netherlands Association of Corporate Art Collections (VBCN), a debate organized by Foam Photography Museum at the Dutch Embassy in Paris, France, and symposia organized by the Dutch Ministry of Education, Culture and Science (OCW), Castrum Peregrini and Spui 25.

Prior to her academic career, Monika worked in consulting at Arthur Andersen LLP and Koninklijk Grolsch, a FMCG company, as sales and marketing manager Caribbean and duty free United States. In addition to her academic and industry experience, she maintains a visual art practice. Her work was included in the Top 10 Best Art Videos at the World One Minutes connected with the cultural program for the Olympic Games, Beijing (CN) and purchased by the Netherlands Public Radio (NPO).

Academic Grants and Awards

- 2012 – 2016 Mosaic Grant of € 200,000 awarded by the Netherlands Organization for Scientific Research (NWO) to M. Kackovic (main applicant) for her PhD research.
- 2016-2019 Strategic Research Grant of € 450,000 awarded by the Netherlands Organization for Scientific Research (NWO) to Prof. dr. N. Wijnberg, dr. A. Witte (main applicant), M. Kackovic (postdoctoral researcher), J. de Groot (PhD) for the project titled: Corporate collections as emerging heritage: Art market dynamics, corporate strategies, and public support for the arts.

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Information about the quality of producers or products has strategic value and affects economic decisions. But what happens in markets with informational gaps because quality is difficult to observe directly and objective criteria to make quality judgments are lacking? Quality that is indiscernible or indeterminate or latent means to a large extent that it remains unknown to all parties involved in the transaction or even thereafter. Signals –e.g., reviews, awards, prestigious affiliations, past sales – may act as observable persuaders and reduce uncertainty caused by informational imperfections. At the same time, signals may shape future perceptions buyers and intermediaries have about those producers, and this may lead to a competitive advantage for a select few. Effectively, even seemingly inconsequential rewards or benefits gained by being the subject of a signal may grant some producers access to opportunities not given to others. Such preferential treatment could lead to superior performance that could start self-reinforcing feedback mechanisms, which could result in persistent performance for some producers compared to the rest.

In the empirical setting of the primary market for contemporary visual art, the career trajectories of 1,590 visual artists from two prestigious art institutions in the Netherlands are studied. A multi-dimensional approach is taken in analyzing quantitative characteristics of signals and qualitative attributes of sources conveying those signals, and examining these effects on not only different categories of buyers and intermediaries but also in the context of the particular career phase of the producers. The empirical results show strong self-reinforcing processes governing competitive dynamics, offering a fine-grained understanding of a source of inequality in the distribution of success in this market where quality differentials among competing producers are imperfectly observable, information about their underlying quality is imperfect and/or incomplete and objective measures for evaluation are lacking.

ISBN 978-90-821905-1-9



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