

EVOLVING A METHODOLOGY FOR THE VALUATION OF ARTWORKS

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Abstract

Artworks are properties that are capable of being identified, owned, assessed and economically managed for the owner who may be an individual, a corporate organization or the society. They have served many functions in our society having been used for religious purposes, political ends and simple entertainment. They can be presented as historical documents, aesthetics wholes in themselves and also as social indicators or cultural symbols that both reflect and influence the way of life of the people. Over the years unfortunately, effort has been devoted towards the valuation of land and buildings; plant, machinery and equipment; motor vehicles, furniture, fixtures and fittings. Little, if any work has been on Artworks. This study examined artworks of the Black African especially those of the South -East and South -South geopolitical zone of Nigeria. It reviewed the traditional methods of property valuation and concluded that these methods are inappropriate in the valuation of Artworks. The study tried to evolve a methodology for the valuation of Artworks not just for the Black African society but for the entire world.

Keywords: Artwork, Culture, Valuation, Market Value, Value to the Owner and Philosophy.

Background to the Study

Art historian Roger Fry, (1939) identified the need for a the study of art when he stated “If ever there was a study needing as it does the co-operation of so many sciences it is surely that of Art, and I would make the claim that the benefits it would confer would be at least equal to those it would receive. We have such a crying need for systematic study in which scientific methods will be followed wherever possible.” Today as ever before, this 'crying need' for systematic study in which scientific methods will be followed has not been resolved. There has continued to be a vacuum in appropriate methodologies for the scientific valuation of art works, crafts and artifacts especially in Black Africa that has proved to be the base of civilization and the repository of Artworks.

Artworks and Crafts are properties. They are things of value, capable of being owned. Property connotes possession and the belongings of a person that the owner can conveniently use and alienate as he desires. It is a right that does not depend on another. Property is divided into tangible and intangible. Tangible properties are those things that can be seen, held or embraced. They are the physical possessions of a person or group of persons such as Land, buildings, motor vehicles, clothes, furniture, fittings, fixtures etc. They may be fixed (immoveable) or floating (moveable). Intangible properties are rights of ownership not necessarily backed by the occasion of physical possession. They are things that are capable of ownership, valuable and legally enforceable. Artworks and crafts are both tangible and intangible properties. In one form they are physical and in another form can only be owned as a right not necessarily physically possesses. Herein lay the unique nature of Artworks and Crafts for which a describable, definable and scientific assessment method is expected to be evolved by this research.

This research work is virgin in the sense that many Economists, Anthropologists, Archaeologists and Estate Surveyors/Valuers have always concentrated on assessing the market value of tangible and intangible assets for economic/business concerns. Dearth and scarcity of previous works on the area covered by this work is lacking. This proved a limitation although effort was made to scale the hurdle by getting first-hand information from owners and progenitors of art works and culture.

Review of Related Literature

Studies in art and culture reveal very interesting aspects of human endeavor. According to Professor Victor Uchendu (1988), culture is meaning centered and a public property. It is this public character of culture that surrounds its concept. Culture is more than just a heritage, a historical product. It is more than the expression of a man's mode of living, something that individuals in each society must undergo as a kind of fate or rite de passage

It is an accepted fact that culture produces needs as well as provides a means of fulfilling them. Culture throws up to history, social facts which the sieve of history can hold thereby making every culture a precipitate of history. Accordingly, Kluckhohn (1963) restates the obvious that "to be human is to be cultured". Art is like a map, an abstract but approximate representation of a particular cultural entity which enables the young and the stranger to find their way in particular cultures. Consequently, all culture-bearers are creators and carriers of culture and its products. The visual art has a tendency to abstraction. Parinder (1977) saw this tendency as characteristic of African art when he wrote in African Mythology that "Most African art aim at expressing feeling, not by copying faces and bodies, but by emphasizing muscles, power, facial character and mystery"

In the actualization of this artistic tendency, however, it has been pointed out by other Art scholars that some art adopt more vigorously dynamic postures than others which show more repose in their postures. A seeming examination between Yoruba and Igbo art will clarify the observed tendency towards abstraction.

As noted by Beier and Cole (1975), Mbari art Centre's in Igbo land are center pieces of very dynamic art embodying symbolic and satirical recreations of events and people in the communities of the periods of their creation. A consideration of the perception and world view of the people is important if the value of art and culture of the people must be adequately assessed.

Arts and Craft as Properties

Art and crafts is a thing of joy; a wonderful property by a people. The path to proper assessment of the value of Arts and Craft of a people is first an understanding of the people's world view. Although many people including Balfe (1993) believe that the potential market value of works of art is more of a financial rather than an aesthetic concern, subjective views of cultural value play very important part. A people's world view and their social structure are two elements of the socio-cultural system; and they play an important role in the social system. The world view shapes the social structure, the body of rules which governs society and gives direction to its institutions. Social structure is like the "building block" of society. It is not a concrete phenomenon. It is a statement of principles embodied in objective reality.

Value of Arts & Crafts

The driver of value for works of art is the power of possession not merely of the physical work but for political and social power/status. Judith (1993) in the work 'Paying the Piper: Consequences of Art Patronage' observed that the emotional connection felt towards a work or collection creates subjective personal value not truly understandable by the market.

Art works may be transient in value but the world view of the people carries for a long time. Consequently, the market for art work operates in an economic model that considers more than supply and demand; but a hybrid type where artworks are bought and sold for values not based on its past monetary value or its future predicted value but on a work's perceived cultural as well as social value.

Art works are not so liquid. Liquidity is a far cry as one of the attributes. Liquidity here connotes having artworks in very high demand that they could be converted to cash easily. Owing to their specialized nature, there is a greater degree of liquidity risk facing artworks than real estate/buildings or other financial assets. This is because there is limited pool of potential buyers thereby limiting the recourse to comparable. Campbel (2007) observed that illiquidity is the major cause of artworks not reaching

their reserved prices, and not being sold. The market for artwork does not enjoy general patronage. It is for the selected few who appreciate the beauty and philosophy behind the works. The market sees itself as a microcosm, listing its participants in tens or hundreds as opposed to the securities market which has millions of participants.

Though the time spent in creating an art work should not be brushed aside, the demand for the art work is really what influences value in today's market. Most art collectors may not care if they love the work or if the price is high; they are interested in knowing if the reputation of the artist can support or validate price of the work. If the work is dynamite and beautiful but the artist is relatively unknown, chances are that that he will need some help with a high visibility gallery to get collectors to trust the value of the works, or else he will need to build credentials. Collectors look for consistent style, media, sometimes subject matter and resume/biography. They want to see that someone of outstanding stature has validated your work – which to them is security that their investment is safe. This is how the market is for now, unfortunately. Just as the real estate market chant goes “Location, Location, Location”, the value of artwork is often based on Reputation, Reputation, and Reputation”

The value of art works should not only reflect the position and reputation of the artist but also the beauty and philosophy of the work. Artworks must have intrinsic values to sell (Goodman, 2003). The idea of relatively unknown artists without credentials – such as having placed in competitions, shown with a well- known gallery, or had his works published- not getting the same value as artists who do have these credentials smacks of (art)illiteracy (Okoronkwo 2010).

Market Value

Arts and crafts are income yielding properties as well as investment type properties that are usually bought and sold, financed, assessed and bequeathed. Moreover, they are used for religious, aesthetic and social purposes. Each of these activities and uses usually requires professional valuation to provide an estimate of market value. Values that arise out of market forces are known as market values. Market value is the major focus of property valuation. Its estimation is the purpose of most valuation assignments. Both economic and legal definitions of this concept have been developed and refined. Market value is defined by Boyce (1975) as “The highest price in terms of money which a property will bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and the seller each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus”

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions where buyer and seller are typically motivated; both parties are well informed or well advised and each is acting

in what he considers his own best interest; a reasonable amount of time is allowed for exposure in the open market; payment is made in cash or its equivalent; financing if any is on terms generally available in the community at the specified date and typical for the property in its locale; the price represents a normal consideration for the property sold, unaffected by special financing amounts and/or terms, services, fees, costs or credits incurred in the transaction.

The American Institute of Real Estate Appraisers (1967) sees market value as the highest price in terms of money which a property will bring if exposed for sale in the open market, allowing a reasonable time to find a purchaser who buys with the knowledge of all the uses to which it is adapted and for which it is capable of being used. The price at which a willing seller would sell and a willing buyer would buy, neither being under abnormal pressure” According to the International Valuation Standards (2011) market value is the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. Rushmoore (1978) insists that notwithstanding the myriad of definitions, market value must represent the actions of typical buyers and therefore reflect a level of management that is competent or average.

Traditional Valuation Approaches

The traditional approaches to the estimation of market value include the Market data approach (sometimes referred to as the Direct Sales approach; and the Income approach (sometimes referred to as Income Capitalization approach) and the Cost approach (sometimes referred to as the summation approach). The market data approach is based on the assumption that an informed purchaser will not pay any sum of money more than the cost of acquiring an existing asset with the same utility. This approach estimates market value by comparing the sales price of recent similar transactions with the various attributes of the asset being valued. Dissimilarities with respect to age, condition, size and others observed between the assets are resolved by making appropriate adjustments.

The methods of valuation of tangible as well as intangible assets of which art work is part may tend to fall unwittingly within the traditional method of market data approach. The purpose may not just be for collection and investment, divestment and financing purposes, but as part of estate valuations, for charitable contributions, tax planning, insurance, mortgages and societal growth.

The reliability of the market data approach depends on three factors of availability of comparable sales data, verification of sales data, degree of comparability or the extent of adjustment necessary to equalize the differences between the properties. Where the

adjustments are few and relatively simple to compute, market data approach often provides a highly supportable estimate of value. This approach requires that the market must be researched to locate comparable sales to establish a basis for supporting an estimate of market value. Unfortunately and owing to the unique nature of artworks and crafts, comparable are often scarce and may not be enough to provide the required platform for adequate comparison.

The Income approach converts anticipated future benefits of ownership into an estimate of present value. This approach typically employs a discounting procedure. The philosophy behind discounting is that a future sum of money is generally considered to be worth less than the same amount now. The present worth of a future sum is that sum which, if invested today at a given interest will at the end of the future date amount to the future sum (Ifediora,2005). The Income approach is employed in four courses – selection of an appropriate holding or study period; forecast of all future cash flows or cash flow patterns (including the reversion); choosing an appropriate yield rate; and conversion of future benefits into present value by discounting each annual future benefits or by developing an overall rate that should reflect the income pattern, value change, and yield rate using one of the various yield formulas (Appraisal Institute 2001).

The Income approach usually reflects the investment rational and strategies of typical buyers. Non-the-less, the approach seems to be applicable and reliable only in the valuation of real estate properties. Though art works and crafts are properties, their attributes are quite distinct from real estate properties. The Income approach therefore is only of limited application. The Cost approach is based on the assumption that an informed purchaser would pay no more for an asset than the cost of producing a substitute asset with the same utility as the one being assessed. In the cost approach, market value is estimated by computing the current cost of replacing the subject's improvement and then subtracting any depreciation.

The Cost approach no doubt is quite relevant notwithstanding its traditional nature. Art work is costly. It takes time, man-hour, tact, brain and sometimes brawn to get over. Precision, intelligence, an eye for the unusual and a sense of objectivity are all important fabrics of the artist. According to Woodward (2009), Art works should cover all these while at the same time be consistent with market trends. The cost approach is recommended by appraisal literature for use in the valuation of new buildings that are not yet affected by the various forms of obsolescence and depreciation; as well as for unique and specialized improvement properties such as churches and libraries lacking in comparable market and income potential. Artworks and crafts are particularly vulnerable to tastes, fashion, style and sometimes uncontrollable economic factors. Indeed and of course, people's world view differ that an artwork so valued in one community may be regarded as a log fit for stoking the oven in another.

Evolving a Methodology for the Valuation of Art Works

This study was designed in three spheres – field survey, controlled experiment and uncontrolled experiment. The area of study was divided into regions where artworks were inspected. Questionnaires designed will be administered to draw out relevant information. Artworks were inspected and the processes of production learnt. Controlled experiment and process tracing was used to generate information on how artists and artisans price and value their works. Data for this work was sourced through primary and secondary sources. First-hand information was collected through interviews, questionnaires and observations including visits to sites, museums and art galleries. Periodicals, Journals, Books, Articles and other publications formed the secondary sources. Quantitative and qualitative methods were used in carrying out logical, scientific as well as a constructive assessment of the data collected.

Discussion

It was discovered from analysis of questionnaires recovered from respondents that artworks are influenced by many factors. These include the medium or material used, labour or man hour, experience of the artist or craftsmanship, the influence of the art work on the society. A medium may refer to the type of material used by an artist or designer to create artwork. In this sense, no limits exist on what defines an art medium. Traditional media, as well as any found objects used to create a piece of artwork, are considered an art medium. A medium also refers to substances added to different paints to achieve a desired texture or effect.

A man-hour is the amount of work performed by the average worker in one hour. In arts man-hour does not mean cost of time spent in the production of only pictures and sculpture, or beautiful building properly ornamented; these are only a portion of art, but value of the beauty produced by the labour of man both mental and bodily, the expression of the interest man takes in the life of man upon the earth with all its surroundings. This may not easily be objectively quantified since it is a truism that without labour art could not exist. Labour is that activity that produces things. The philosophy behind art works is a broad spectrum of issues on the way of life of people that focuses on resolving the existential questions about the human condition. This is that phenomenon that tries to bring our life and all our actions into a satisfactory relationship with the events of the world as our consciousness wants it to be, in harmony with our life and according to the laws of consciousness itself. In other words, the philosophy behind artworks more or less depicts and typifies the world view of the people of which the artist is part. Once this is grasped, the meaning and value of artwork is better appreciated.

The influence of art and art works on society is enormous. Art influences society because art involves everything - painting, sculpture, performance arts, music, fashion design - every facet of our lives is art. We may be individuals but we have a collective consciousness which makes us like one art from another. Art works influence society in more subtle ways than we actually realize it. It molds our values and makes or breaks our society. Artists are differentiated by their craftsmanship. An experienced artist is one who practices or is highly skilled in a craft; artisan. Stylistically, he combines traditional craftsmanship and technique with elements of modern design such that the product comes out tastefully satisfactory to meet the expectations of the public and other especially interested persons.

Valuation Concept and Methodology

Given the foregoing, it is clear that market concept of value will not produce an objective value of artworks. This leaves one with the Value to the owner concept. Bonbright (1937) was able to give a succinct explanation of this as value of property to some specific individual or group of individuals, who have or may have an ownership interest in the thing. He goes further to explain that a chair, a residence, a railroad right of way, and an electric-light franchise, considered solely as objects of property, have no value except for the advantages that they may confer upon whatever persons may claim a special legal interest in their exploitation through use or sale. But since any object of wealth may be capable of conferring different advantages on different owners — as in the case of a pair of eyeglasses, which is adapted to Smith's eyes, but which would be of no possible use to Jones — one cannot properly speak of the value of a property in general; instead, one must speak of its value to some specific person or group of persons.

The International Glossary of Valuation Terms (“the Glossary”) is promulgated by, and applied by, five valuation bodies, four in the United States and the Canadian Institute of Chartered Business Valuators. It contains a definition of “Investment value” defined as the value to a particular investor based on individual investment requirements and expectations. In Canada, the term used is “Value to the Owner”. The “Value to the Owner” of a property asset may be higher or lower than the Market Value of the property asset. Owing to the unique nature of artworks value to the owner offers the escape route. One problem however with value to the owner concept is its subjectivity. One man's meat, they say, may be another man's poison. This therefore underscores the need to develop an appropriate methodology that could substantially reflect the value to the owner.

Value/Amount (A) = f {w, c, m, i, l}
Where w = World view/Philosophy
m = Medium

c = Craftsmanship
l = Labour/Man-hour
i = Influence on society

The value of an artwork is a summation of the worth of the constituent factors/parts.
w,c,m,i,l

By assigning absolute values (weight) to w= 5; c= 2; m= 1; i= 1.5 and l=0.5 (sum of 10); the value of an artwork could be determined. An artwork on a medium that cost Fifty Thousand Naira (N50,000.00) could be assessed as follows:

Given $m = 1 = 50,000$; $A = 50,000 \times 10 = \text{N}500,000$ (Five Hundred Thousand Naira)

It should be noted that the sum of ratios of the factors is 10 which is One Hundred percent (100%). As much as percent (50%) is assigned to World view/philosophy indicating the importance attached to the factor. It should be further noted that the value of an artwork can only be objective where at least the cost of one factor is known. This presupposes that this methodology must have some element of market analyses to establish market value/cost of that factor.

Example:



Given that one was required to assess the value of this bronze head from Igbo-Ukwu archaeological site, which labour/man-hour was estimated at N35,000.00 (Thirty Five Thousand Naira) only, the Value/Amount will be calculated thus-

Given labour/man-hour (l) = 0.5 = 35,000
Value/Amount = 10 (35,000 X 2) = N700,000.00 (Seven Hundred Thousand Naira) only. Reviewing the valuation, one could as well assess the World view/philosophy behind the artwork by (35,000 X 2) 5 = N350,000.00 where five (5) is the weight attached to world view/philosophy



IKENGA: The Igbo of Southeastern Nigeria place a strong emphasis on individual success and achievement. They are merchants and explorers who sojourn all over the world. The Ikenga figure help to foster such goals as it translate to power of protection while on transit. It is usually in the right hand, and refers to a time when men were heavily engaged in warfare with neighboring factions. Hence the knife motif that Ikenga figures are often shown holding in their right hand. Ikenga is believed to bring about success and good fortune in many aspects of one's life. Ikenga is mostly maintained, kept or owned by men and occasionally by women of high reputation and integrity in the society. It comprises someone's Chi (personal god), his Ndichie (ancestors), aka Ikenga (right hand), ike (power) as well as spiritual activation through prayer and sacrifice.

A valuation of an Ikenga artwork should never proceed without an understanding of the world view of the Igbo people of South East Nigeria.

Conclusion

The value of an art work varies directly with the world view of a people as well as the experience of the artiste more than the material used and the influence on the people. The experience of the artiste may not necessarily be measured in years on the job but in dexterity and the result of the final outcome. Art works could have positive or negative influence on society. Positive art encourages sustainable development whereas negative art inhibits development

Recommendations

This study is still in its infant stage and requires funding and sponsorship. The need to properly engage in a systematic and scientific appraisal cannot be over emphasized.

- 1 It is recommended that Anthropologists, Sociologists, Estate Surveyors & Valuers, Geographers, Archaeologists and all those interested and professionally trained to assess and document the cultural values of communities and the assessment of these values for posterity should carry out further works on the valuation of artworks.
- 2 It is also recommended that government of developing nations especially Sub Saharan Africa should provide the platform for further research by sponsoring studies in valuation of artworks because of the limited and almost non availability of empirical data relating to artwork and crafts in Black Africa

upon which policies of government could be based for sustainable economic/social development and national growth.

- 3 It is further recommended that the curriculum of our tertiary institutions teaching and learning Estate Management & Valuation should be enhanced to cater for the valuation of arts, crafts and artifacts. This will help in harnessing the culture potentials of peoples of diverse origin for economic and social growth of nations.

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