

# THE SHARK IS DEAD: HOW TO BUILD YOURSELF A NEW MARKET

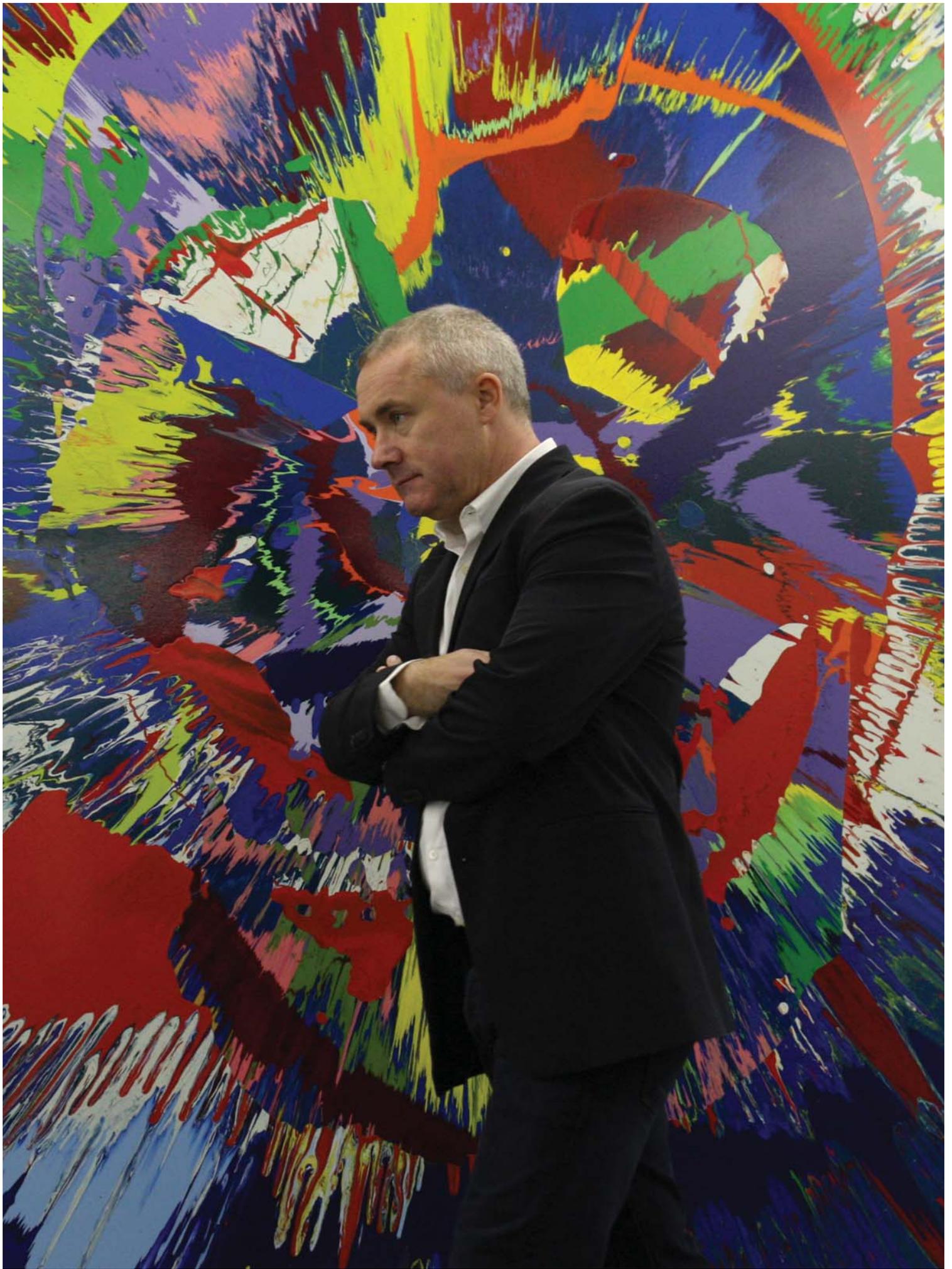
British artist Damien Hirst is both controversial and successful. **Jörg Reckhenrich, Jamie Anderson** and **Martin Kupp** suggest that his innovative approach to life and work demonstrate strategies useful to organizations.

In mid-September 2008, the British artist Damien Hirst broke all rules of the art market. He bypassed conventional distribution channels – dealers and gallery owners – by directly partnering with Sotheby’s auction house, which successfully sold more than 200 pieces of his work. For the first time, Sotheby’s auctioned artworks that were less than two years old, another break from tradition. Hirst earned more than £110 million from the auction, in the midst of a global economic crisis and on the same day that Lehman Brothers investment house collapsed.

In the two decades leading to the auction, Hirst’s work focused on the processes of life and death. His work was grouped into three broad areas – sculptures, paintings and glass tank pieces. His sculptures were most strongly represented by his cabinet series; he displayed collections of surgical tools or hundreds of pill bottles on shelves or even in a life-size recreation of a chemist’s shop. The

paintings were divided into spot and spin paintings – spot paintings being randomly organized, colour-spotted saucer-sized discs, and the spin paintings produced on a spinning table, so that each work was created through centrifugal force. The tank pieces typically incorporated dead and sometimes dissected animals (cows, sheep or sharks) preserved in formaldehyde. More recently, Hirst diversified into modern interpretations of memento mori artworks, art that was first created centuries ago.

Hirst is an artist, entrepreneur, and strategic innovator; here, we reflect upon the lessons Hirst’s work and life offer for organizations and managers. We suggest that Hirst’s rise to prominence should be understood in terms of his ability to break from established and preconceived norms of the art world. Hirst felt that, by the end of the 20th Century, the established art world had become victim to a phenomenon that psychologists term “inattention blindness”, meaning that when →



## What is inattentional blindness?

Imagine the following experience: you are searching for a free parking space on a busy Saturday morning. After driving around for 10 or 15 minutes, you eventually find a place to park the car. At work on Monday, your colleague asks why you snubbed her. She was waving at you from the pavement, but you seemed to look right through her. This is a phenomenon psychologists term “inattentional blindness” – when attention is diverted to a specific task, approach or process, humans often fail to perceive new stimuli. And it is this phenomenon of inattentional blindness that can lead even the most experienced managers to ignore opportunities to innovate – to identify new customer segments, to discover new products or services, or to invent new ways of delivering value.

→ attention is very focused on specific tasks or approaches, humans often fail to perceive significant events, threats or opportunities that are outside their focus. Hirst was able to smash the thick and opaque lenses of tradition in the established art world; by doing so, the innovative artist strategically innovated. In turn, Hirst's innovative approach saw the emergence of a new market space, a space in which he was the undisputed first mover and dominant player. Hirst became his own brand.

### Bad boy of contemporary art

Hirst was born in Bristol in 1965. His father worked as a motor mechanic, his mother for the Citizens Advice Bureau. As a young man, he applied for admission to Leeds College of Art and Design but was rejected. He then worked for two years on London building sites before studying at Goldsmiths College, University of London, between 1986 and 1989. After two years at Goldsmiths, Hirst did curate an independent student exhibition called “Freeze”. From the beginning, he understood that in the abundant number of artworks, which were offered to visitors through countless exhibitions, the curator set the rules. Hirst's own contribution was not very spectacular. It was a sculpture consisting of simple cardboard boxes painted with household paint. Charles Saatchi, one of the UK's leading art collectors and the co-founder of the global advertising agency Saatchi & Saatchi, visited the show. He and Hirst established a professional relationship, a relationship that became a cornerstone of Hirst's career. After graduation, again

Hirst acted as curator of two warehouse shows with his friends, Carl Freedman and Billee Sellman. Once more Saatchi visited the shows and is reported to have stood open-mouthed when he looked at Hirst's first major animal installation, “A Thousand Years”. This work was composed of a large glass case containing maggots and flies feeding off a rotting cow's head. Maggots hatched inside a transparent box, turned into flies, then fed on the cow's head before breeding and repeating the cycle.

### The Saatchi years (1991–2003)

From that moment Saatchi gave Hirst carte blanche and offered to fund whatever he could produce. The result was presented in 1992 in the first Young British Artists show at the Saatchi Gallery. Hirst's first Saatchi-funded work was titled “The Physical Impossibility of Death in the Mind of Someone Living” and was a large shark in formaldehyde in a transparent vitrine. Hirst's first major international presentation was at the 1993 Venice Biennale with the work, “Mother and Child Divided”, a cow and a calf sliced in halves and exhibited in separate glass tanks of formaldehyde. With the full backing of Saatchi, Hirst's shows turned into ongoing successes; in 1995, he won the famous Turner Prize. This was the same year that New York public health officials banned an artwork featuring a rotting cow and bull, because of fears of “vomiting among the visitors”. That ban resulted in a storm of media coverage for Hirst's show in the United States.

The professional relationship between Saatchi and Hirst began to unravel in 2003 when Saatchi's new gallery opened in London with a show that included a Hirst retrospective. Hirst disassociated himself from the retrospective to the extent of not including it in his CV. He was angry that a mini-car he had decorated for charity with his trademark spots was being exhibited as a serious artwork. This spat eventually led to a professional split, and Hirst embarked on a mission to become more independent from Saatchi, who still held a third of his earlier works. In September 2003, he had an exhibition, “Romance in the Age of Uncertainty”, at the London gallery of his friend Jay Joplin and earned £11 million, bringing his estimated wealth to over £35 million.

### The years after Saatchi

Following his split from Saatchi, Hirst seemed acutely aware of the need to anchor his reputation. In June 2006, Hirst exhibited his work alongside that of Francis Bacon at the Gagosian Gallery, London. Hirst showed, among other works, a new formaldehyde work titled “The Tranquillity of Solitude” that was influenced by Bacon. By doing

so, Hirst achieved an important step towards the established side of the market – customers could buy a piece of his artwork that combined both new and traditional themes. In May 2007, Hirst made a new statement through his exhibition at the White Cube gallery in London. The centrepiece of the show was “For the Love of God”, a platinum cast of a human skull adorned with 8,601 diamonds worth some £15 million, a cost that stretched the boundaries of contemporary art production. The asking price for the skull was £50 million. It didn’t sell outright but was sold a few months later to a

sale raised £41 million, making a sale total of £111 million for 218 items. The auction was successful beyond any expectations, setting a world record for sales by a single artist and countering claims that Hirst’s mass production of certain pieces might negatively impact prices for his work.

### Creating new market space

Hirst has clearly broken the rules of the established art industry, and his success provides a number of lessons for organizations. Much of the established theory and approaches to competitive strategy focus

Hirst earned more than £110 million from the auction, in the midst of a global economic crisis and on the same day that Lehman Brothers investment house collapsed.

consortium that included the White Cube Gallery and Hirst himself. Hirst’s skull project allowed him to innovate along two dimensions. First, he related his work to one of the most popular subjects of art history, the memento mori, but he went far beyond objects previously created in terms of expense and extravagance. Second, after its sale, it was exhibited in one of the most well-established homes of traditional art, the Rijksmuseum in Amsterdam. The exhibition seemed a win-win situation for the artist and the museum. Hirst received the honour and affirmation of having exhibited in the Rijksmuseum, while the museum attracted thousands of visitors.

### The dance around a golden calf

In 2008, Hirst announced his next unusual move, bypassing his long-term galleries to hold his next show at Sotheby’s auction house. The star items were “The Golden Calf”, an animal with 18-carat gold horns and hooves preserved in formaldehyde, and “The Kingdom”, a preserved tiger shark. Other preserved animals included a zebra and a “unicorn”. The sale included spot and butterfly paintings, many incorporating gold and diamonds; these had begun to attract some attention from critics, who questioned the degree to which these pieces were really Hirst’s own work, given his increasing use of production assistants.

Some 21,000 visitors viewed the items on offer at Sotheby’s, while the auction itself was open to just 656 ticketed clients. All lots on offer on the first night were sold for a combined sum of £70.5 million, exceeding Sotheby’s estimate of £65 million. The £10.3 million sale of “The Golden Calf” beat Hirst’s previous auction record. “The Kingdom” sold for £9.6 million, more than £3 million above its estimate. The second day of the

on how a firm can analyse the dynamics within an established industry and then develop an approach to position itself within that industry. There is a significant focus upon understanding established competitors and developing approaches to beat incumbent firms along dimensions such as lower cost or product differentiation. Equally, firms are encouraged to identify existing customer demand and then to serve that demand faster or better than other firms. While these approaches are important, they can result in inattentive blindness – not being able to see something that is really there. Humans have a limited capacity for attention, so when their attention is focused on a task, established process or learned behaviour, they often fail to perceive significant events or stimuli. It is a phenomenon that can lead even the most experienced managers to ignore opportunities, fail to create new market space or strategically innovate. To overcome this blindness, a manager needs to ask three questions:

*Who* are the customers that our organization does not see?

*What* are the products and services that we are blocking from our consciousness?

Are we blind to new ways of *how* we might operate our business?

But asking these questions is not enough – the organization must develop people and processes that can interpret and respond to the answers. Just as a blind person who regains sight can continue

to be perceptually blind, so the organization can reject discoveries that do not fit with its own preferred reality. One of Hirst’s and Saatchi’s →

→ earliest breakthroughs was the recognition that the late 20th century had seen the emergence of non-traditional art buyers – a new *who* that the contemporary art world of artists, dealers, curators and gallery owners had been slow to serve. These were consumers, many with relatively new wealth, who did not buy for artistic interest alone; they bought for fun or status or invested to sell at a profit later.

One of Hirst's prominent customers was Steve Cohen, the billionaire who purchased Hirst's shark sculpture. "The idea that the American hedge fund broker Steve Cohen, out of a hypnotized form of culture-snobbery, would pay an alleged \$12 million for a third of a tonne of shark, far gone in decay, is so risible that it beggars the imagination," wrote Robert Hughes on 13 September 2008, in the *Guardian*. "Of course, \$12 million would be nothing to Cohen, but the thought of paying that price for a rotten fish is an outright obscenity."

Another Hirst devotee was Ukrainian steel magnate Viktor Pinchuk, a bidder at the Sotheby's auction. "The oligarchs know about assets like oil fields

the art world had remained largely blind to the potential of incorporating biological elements. Through his use of animals and animal parts in his sculptures and other objects of art, Hirst removed the blinkers of artistic tradition and created a differentiated artistic style. When Hirst organized the "Freeze" show as a young artist, he said, "I can't wait to get into a position to make really bad art and get away with it. At the moment, if I did certain things, people would look at it, consider it and then say 'fuck off'. But after a while you can get away with things."

### Symbol of Britart

Hirst's shark sculpture became the icon of British art in the 1990s and a symbol of Britart worldwide. Even if a shark could be seen in an aquarium or as a preserved specimen in a zoological exhibition, any artist attempting to replicate Hirst's concept would be seen as something akin to a conceptual plagiarist. By means of his diamond-encrusted skull, it appeared that Hirst was not only trying to

## In 2008, Hirst announced his next unusual move, bypassing the usual galleries to hold his next show at Sotheby's auction house.

and factories. They only buy art for fun... to be famous and entertaining. It's a toy to them," commented a Russian banker interviewed at a Gagosian Gallery show in Moscow. Both Hirst and Saatchi understood this, and they also appreciated that a real issue for many non-traditional buyers of expensive artwork was the expected future return on investment – the degree of certainty with which a piece of art work could be sold for a price higher than that at which it was acquired. Furthermore, they knew the way to meet these expectations (status and investment returns) was to create unique and strongly branded products.

Another of Hirst's early insights was his recognition that, by the end of the 20th century, the established art world had come to define "works of art" rather narrowly. In the early years of Hirst's career, both he and his collaborator Saatchi identified the need to create a new *what*: images, symbols and signs buyers could acknowledge as unique, whether or not they were attracted to them. This was a tactic Saatchi had refined through his experience in the advertising industry that fit perfectly with the extroverted and provocative potential of Hirst as an artist.

While animals (alive and dead) had been exhibited in museums, aquariums, zoological gardens and scientific exhibitions for centuries,

relate his work more closely to tradition, but he was also testing the boundaries of the market itself. Was it possible for the art market to accept a piece of new art that cost £15 million to produce – exceeding the cost of virtually any other art product up to that moment – and had a list price of £50 million, an increase of 230 per cent?

The degree of opposition to Hirst's work indicated the degree to which the established art world was blinkered from the commercial opportunities arising from the new *what* created by Hirst and Saatchi during the 1990s. Leading art critic Robert Hughes attacked Hirst as responsible for "the decline of contemporary art". But Hughes and many other highly respected critics from the art establishment seemed blind to an emerging reality: at a time when the quantity of art being produced was exploding, successful commercial exploitation of art was no longer primarily about the physical manifestation of a piece of art.

The continued rejection of Hirst by the established art world has its parallel in science: the phenomenon of blind people who later in life gain sight. Their processing of visual stimuli does not allow them to identify objects easily; effectively they can see, but they are still perceptually blind. While many art critics acknowledge Hirst, they continue to reject →

→ the validity of the market that he has discovered. Hirst's idea early in his career was not first and foremost to produce a solid and sustainable body of work, as artists such as Paul Klee, Picasso or Barnett Newman had done. Instead, Hirst's primary objective seemed to be to establish his own brand and differentiate his unique works through direct, and often shocking, provocation. What he proved, and what astounded many art critics, was that there was a multimillion dollar market for artwork incorporating rotting meat, maggots, dead sheep and all manner of other unique materials that stretched the boundaries of the physical manifestations of art. The world of contemporary art had seemed to block the potential use of these materials from its collective

innovated in his method of production. Although he participated physically in the making of early works, he had always needed assistants.

By the late 1990s the sheer volume of work produced necessitated a "factory", with Hirst working closely with his main art production company called Science Ltd. While "factory" production had been used by other prominent artists (such as Leonardo da Vinci, Auguste Rodin or Andy Warhol), Hirst was perhaps unique in the minimal level of input that he contributed to many of his works.

In 1999 Hirst had publicly said that he only painted five of more than 300 spot paintings himself because, "I couldn't do it"; he described

Through his use of animals and animal parts in his sculptures and other objects of art, Hirst removed the blinkers of artistic tradition and created a differentiated artistic style.

consciousness. But Hirst did not only question the *who* and *what* of the established art world. He also challenged established approaches to *how* art should be exhibited, produced and sold. From the beginning, Hirst followed a different path to access art consumers. Instead of using just the traditional route of distributing art through dealers, he also adopted the role of curator. He understood that, by the early 1990s, the rise of importance of curators in identifying and defining the parameters of artistic talent had reduced the ability of individual artists to build their own personal brands. Furthermore, an explosion in the number of trained and talented artists in the United Kingdom had meant that building a reputation had become increasingly difficult.

While in the past the role of the curator was to select and often interpret works of art by writing labels, catalogue essays and other supporting content for an exhibition, this role was changing with the rise of artists organizing exhibitions. Hirst appreciated the new importance of the curator, especially the artist-curator in a market that was lacking transparency and that was dominated by long-term business relationships. He saw that there was a need to redefine the rules in order to create a new market space. He did this by initiating shows and then leveraging these shows to position his own artwork. Hirst also created a new *how* in terms of art production.

### Assistants needed

Much has been written about Hirst's innovative use of new materials, especially animals; but he also

his efforts as rubbish – "They're rubbish compared to... the best person who ever painted spots for me was Rachel Howard. She's absolutely brilliant. The best spot painting you can have by me is one painted by Rachel."

Hirst's understanding of artist authorship could be seen in a story about a painting assistant who was leaving and asked for one of his spot paintings "I told her to make one of her own. And she said, "No, I want one of yours". But the only difference, between one painted by her and one of mine, is the money," he said. Hirst believed that modern-day artists, especially those already exhibiting at the high end of the market, had been largely blind to yet another new *how* – the sale of contemporary art through auction houses. For centuries, artists had distributed their artworks through dealers and galleries, with auction houses typically selling the art of collectors rather than works directly from artists. It was also virtually unknown for an auction to include works younger than two years old. Hirst's auction at Sotheby's represented the first time that an artist of his standing had put work directly into the public market rather than operating through dealers and galleries that charged larger commissions. Hirst said, "It's a very democratic way to sell art and it feels like a natural evolution for contemporary art." Sotheby's went to great lengths to promote the auction, devoting its entire New Bond Street home to showing the works as if they were part of a museum retrospective and keeping the viewing open until midnight on a Saturday. Sotheby's

representatives also took some of the key works on tour, to New York and New Delhi among other cities, and placed videos of the work and the artist on YouTube, a first for the auction house.

### An artist and innovator

Hirst's strategy, which was initially supported and largely funded by Saatchi, led to the emergence of a new market space in which Hirst was the first and only player. Although the traditional art world had not consciously ignored the new market created by Hirst, the industry's focus upon the traditional boundaries of art had created a significant degree of inattentive blindness. This was not because artists, curators, dealers and others within the art establishment were unintelligent, but because they took for granted the manner in which their industry functioned, and few questioned these assumptions.

Both Saatchi and Hirst understood that success in the late 20th century art market could be defined by differentiated positioning. In contrast to the traditional approach, whereby artists typically put their concept first and gained financial success as an outcome of building a sustained body of work, Hirst seemed to identify the market opportunity first and then aligned his artistic concepts accordingly.

Hirst's success has important implications for practising managers. Managers need to recognize that their own experience may blind them to opportunities for strategic innovation and must ask themselves if they are blinkered from new opportunities. What might be interpreted through today's eyes as a dark

and distant blur might be viewed in the future as a sharp and enlightened flash of insight. The challenge for today's managers is nothing less than to remove their organization's innovation cataracts, and to do this they must continuously question the traditions of their industries. ■

### Resources

Derek F. Abell, *Defining the Business: Starting Point of Strategic Planning*, Prentice-Hall, 1980.

M.M. Chun and R. Marois, "The dark side of visual attention", *Current Opinion in Neurobiology* 12, no. 2, 2002.

Robert Hughes, "Day of the dead", *The Guardian*, 13 December 2008.

W. Chan Kim and Renée Mauborgne, "Value innovation: The strategic logic of high growth", *Harvard Business Review*, January-February, 1997.

W. Chan Kim and Renée Mauborgne, "Creating new market space", *Harvard Business Review*, January/February, 1999.

Costas Markides, "Strategic innovation", *Sloan Management Review* 38, no. 1, 1997.

Daniel J. Simons and Christopher F. Chabris, "Gorillas in our midst: Sustained inattentive blindness for dynamic events", *Perception* 28, 1999.

Daniel Stacey, "Who forgot to pay Damien Hirst", *Bad Idea* (online), 7 November 2008.

Carol Vogel, "Bull market for Hirst in Sotheby's 2-Day Sale", *New York Times*, 16 September 2008.

**Jörg Reckhenrich** (joerg@reckhenrich.com) is a painter, sculptor and Managing Director of Reckhenrich Management Development in Berlin, Germany. He is a guest lecturer for London Business School and EGP Porto. **Jamie Anderson** (j.anderson@tiasnimbas.edu) is Adjunct Professor of Strategy and Innovation at TiasNimbas Business School in the Netherlands and a Fellow of the Centre for Management Development at London Business School. **Martin Kupp** (kupp@esmt.org) is a member of the faculty and Programme Director at the European School of Management and Technology, Berlin.