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CHAPTER 5  FRAMEWORK CREATION

5.0 INTRODUCTION

This chapter sets out the steps taken to develop an initial conceptual framework of client influence within the valuation process. This framework together with the research question as discussed previously acted as a foundation to the research process and as a guide for further enquiry. The framework was based on the review of pertinent literature as set out in Chapters 2 and 3 together with the experience and knowledge of the researcher. As explained in Chapter 4, Strauss and Corbin (1998) contend that commencing a study with a review of the literature is a useful approach in the development of grounded theory. They identified four specific benefits as follows:

i. The concepts derived from the literature provide a source for making comparison to data at a dimensional level

ii. Familiarity with relevant literature enables an enhanced sensitivity to subtle nuances of data and increased awareness of the researcher as to what to look for and generate questions to ask respondents

iii. The researcher is able to formulate questions which act as a stepping point during initial observations and interviews, and finally

iv. The literature may be used to confirm findings and illustrate situations where the literature proved to be incorrect, over simplistic and only partially explain phenomena.

A review of the literature proved essential in informing the initial conceptual framework of client influence. This framework provided a foundation to the research process. It offered information from which the initial interview prompt could be formulated together with a guide for further questioning. In the later stages of the research process, data collected from the interviews could also be compared with the literature. As set out previously the creation of this initial framework was used to inform and guide the research. It was not considered as a vehicle for hypothesis testing which was regarded as too limiting for the purposes of building theory. The framework was also essential in framing the research question guiding the research (see Chapters 1 and 4).

As set out in Chapter 2, there are a small number of papers which report anecdotal evidence suggesting that client influence affects valuer behaviour and valuation outcomes. In addition a small number of empirical studies also suggest that client influence may affect valuation outcomes. A number of these papers were used to assist in the construction of the initial conceptual framework and are discussed in the next sections of this chapter. It should be noted that this original conceptual framework was completed in 1998 without the insights gained from more recent publications. In addition to this, the literature utilised specifically to create the framework did not include all the academic literature reviewed in Chapters 2 and 3. The applicability of these additional studies was
highlighted only as factors emerged from the interviews later in the research process. This illustrates the iterative nature of the study that prevailed rather than a linear or simple staged process.

Implicit in the process described above was the importance of the experience and knowledge of the researcher. At the time the initial framework was constructed there was limited extant research relating to the valuation process and client influence. This lack of in-depth knowledge is reflected in the initial framework which is more simplistic and shows a far less in-depth understanding of the process when compared with the frameworks constructed in later stages of the research process.

The following sections of this chapter explain how the framework was constructed and what literature guided the process and the specific variables that were included.

Section 5.1 sets out a general outline of framework construction and outlines the four general factors that were incorporated into the initial conceptual framework of client influence

Section 5.1.1 explains the factors relating to influence and influence strategies

Section 5.1.2 describes the factors relating to the characteristics of the service provider

Section 5.1.3 discusses the factors relating to the characteristics of the client

Section 5.1.4 outlines the external characteristics

Section 5.1.5 details the service characteristics

Section 5.2 provides a summary of the chapter

5.1 INITIAL FRAMEWORK CONSTRUCTION

As set out in Chapter 3 the characteristics of services marketing (intangibility and inseparability) emphasise the role of the client in the delivery of the service. The role the client plays is therefore vital to the quality of the service provided. As emphasised in the literature review, the relationship between providers of professional services and their clients (which includes auditors and their clients and valuers and their clients) differs from the relationship found between the providers of consumer goods and their clients. More specifically, inseparability implies that consumers are usually involved in the production process (Booms and Nyquist, 1981; Kelley et al 1990). The conceptual framework produced in this chapter reflects this close relationship between valuers and their clients as described by Alreck (1994) and the potential this has for client influence.
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5.2 INFLUENCE

The concept of influence was discussed in Chapter 3, for the purpose of the initial framework, influence:

"is inferred when one person acts in such a way as to change the behaviour of another in some intended manner" (Cartwright, 1959).

The prevalence of influence strategies or various aspects of power available to a person to influence decisions was discussed in Chapters 2 and 3. Lee and Collins (2000) listed five influence strategies commonly utilised in the context of family decision making. These were experience, legitimate, coalition, emotion and bargaining. Pasewark and Wilkerson (1989) in the auditing environment included, authoritative power, expertise, control over rewards, coercive power and personal power. For the purpose of the initial framework, four of the seven influence strategies as identified by Kohli (1989) were included as being most relevant to the client/valuer relationship. These were, reward and coercive power, expert power and information power. These were included to reflect the power available to the client which relates to the terms and conditions of the instruction, the payment of consideration (the hiring and firing of the valuer), and the provision of information.

5.2.1 Reward and Coercive Power

Kohli (1989) described reward power as:

"an individual's ability to provide material and nonmaterial rewards to other individuals".

Coercive power on the other hand he described as:

"an individual's ability to provide material and nonmaterial punishments to others" (Kohli, 1989).

The literature reviewed identified the use of reward and coercive power in a number of situations. For example several authors commented on the practice of "opinion shopping" where clients do not search for the right answer, but the answer they wish to hear (Hendrickson and Espahbodi, 1991; Worzala et al., 1998). Rushmore (1993) reports on the prevalence of opinion shopping in the valuation industry in which clients threaten to seek out and employ alternative valuers that are prepared to give them the reported value they require. Kinnard et al. (1997) also found evidence of clients seeking the view of successive valuers until a favourable figure is found. There are several other threats or coercive/reward tactics cited in the valuation and auditing literature. These include the promise of more work, a decrease in the number of assignments, the addition to an approved valuer list, the threat of court action, the refusal to pay the fee, monetary incentives and the loss of a contract (see for example Rushmore, 1993; Smolen and Hambleton, 1997; Hendrickson and Espahbodi, 1991; Goodman and Trotman, 1995; Farmer et al, 1987; Saul, 1996).
5.2.2 Expert Power

Expert power is defined as:

"the extent to which others perceive an individual as being knowledgeable about relevant issues" (Kohli, 1989).

The valuation literature does not make explicit reference to the use of expert power by clients. However, the results of Kohli's research into buying centres within organisations (Kohli, 1989) highlight expert power as an important determinant of influence especially in larger groups. Pasewark and Wilkerson (1989) also note the existence of expertise as a source of power to influence auditor independence. For the purpose of this research, expert power is assumed to arise as a result of clients' knowledge of the valuation process and the property market within which a property is being valued.

5.2.3 Information Power

Information power is defined as:

"an individual's access and control of information" (Kohli, 1989).

This potential source of influence is worthy of examination in relation to the valuation process due to its heavy reliance on the flow of information from client to valuer. Commercial reality therefore places the valuer in a vulnerable position whereby a client may choose to withhold certain information perceived as detrimental to their preferred outcome. Pasewark and Wilkerson (1989) note that in the auditing context the client may possess particular knowledge about their company's financial statements. This knowledge could be considered both as expertise and information power.

5.2.4 Amount of Power

Intuitively the researcher suggests that the amount of influence that a client may exert on a valuation could also be affected by the same characteristics as the type of influence they are able to use. Thus within influence and influence strategies the "amount of influence" has also been included.

5.3 CHARACTERISTICS OF THE SERVICE PROVIDER

The analysis of the literature assisted in identifying six characteristics of the service provider for inclusion in the initial conceptual framework, the integrity of the service provider, the importance of the client, the production of non valuation work for the client, prior involvement with a clients assets and the size of the firm. These are discussed in the following sections.
5.3.1 Integrity of the service provider

Ponemon (1992) suggests that accounting firms possess different ethical cultures. If this holds true for the valuation industry then it may be possible that different companies as well as individual valuers to possess differing levels of integrity and ethical behaviour that may subsequently affect their vulnerability to client pressure.

5.3.2 The importance of the client to the service provider

There is evidence that a valuation practice earning a large percentage of its revenue from a single client may be tempted to "please" that client and thus succumb to client pressure (Smolen and Hambleton, 1997). This dependency may not be restricted to the firm as a whole, but may also exist in the case of an individual officer or partner (Miller, 1992).

5.3.3 Provider of additional services

Academics within the auditing area have conflicting views as to whether an audit firm providing management consultancy services to its client will be more likely to acquiesce to the client's wishes or not (see for example Lindsay, 1989; Lindbergh and Beck, 2004; Ashbaugh, 2004; Lord, 1992; Beattie et al, 1999). These studies suggest that these additional services could affect the potential influence of the client within the valuation context (Knapp, 1985).

5.3.4 Prior involvement with client's assets

The involvement of independent auditors in the design of an audit programme has been found to affect their subsequent audit work related to that audit area (Church and Schneider, 1993). This scenario may well be applicable to the valuation context, for example where a valuer has previously recommended a purchase at a particular price; the valuer may then become committed to this recommendation in order to be seen in a good light by their client.

5.3.5 Personal decision-making styles

Three styles of auditor decision making were identified by Windsor and Ashkanasy (1995). The first of these was "autonomous", used to describe auditors who were more likely to resist client management power. "Pragmatic" described auditors responsive to client management power and "accommodating" auditors least able to resist client pressure. This categorisation could apply equally to the different personalities and decision-making style of valuers.
5.3.6 Size of the firm

The inclusion of the size of the firm is illustrated in Figure 5.1. Lindsay (1989) found that the likelihood of an auditor acquiescing to a client's wishes increases if the size of the audit firm is small. The valuation industry is characterised by many small firms (Smolen and Hambleton, 1997) which could make it vulnerable to this type of influence.

The review of the literature as set out in chapters 2 and 3 indicate that a number of factors relating to the characteristics of the service provider can have an effect on the type of influence strategies that may be utilised by a client during the valuation process. These include the integrity of the service provider, importance of the client, the production of non-valuation work for the client, prior involvement with a client's assets and the size of the firm. The following section discusses the affect of the characteristics of the client on client influence.

5.4 CHARACTERISTICS OF THE CLIENT

As well as the characteristics of the individual or organisation providing the service, the literature points to the characteristics of clients as having an impact on the amount and type of influence imposed on the service provider. Six of these characteristics have been included in the initial conceptual framework and are discussed below.

5.4.1 The type of client

A number of authors including Smolen and Hambleton (1997) conclude that certain clients are more likely to apply pressure to valuers to influence their reported values. In particular they identify mortgage bankers as being primary sources of client pressure, followed by commercial banks. Kinnard et al. (1997) also find that valuers experienced significant pressure from mortgage brokers and bankers.

5.4.2 Size, strength and market power

Smolen and Hambleton (1997) found that larger companies enjoy an advantage over smaller weaker competitors. Kinnard et al. (1997) found a direct relationship between client size and the likelihood of valuers revising their reported values. The valuers they surveyed, however, were not aware that the size of the client influenced their decision. The concept of an asymmetrical relationship between client and service provider was also a recurring theme in the auditing literature (see for example Lord, 1992; Gul, 1991; Goodwin and Trotman, 1995).
5.4.3  Prior involvement with company assets

A client with previous involvement with a specific asset may wish to influence a valuation outcome in order to defend an earlier position. For example, if a particular employee was responsible in purchasing a certain property they may wish to demonstrate that this was a good financial decision and the value of the property continues to grow. The client in this position may not be aware of their behaviour in these circumstances (Bazerman et al., 1997 and 2002).

5.4.4  Importance of service outcome

Several authors suggest that the more critical a particular valuation outcome is to a client, the more likely it will be for the client to exert pressure on the valuer. This may manifest itself in situations where an investment manager's compensation is directly related to valuation outcomes and thus a financial incentive exists for a client to influence the valuation process (see for example Rutledge, 1994; Kinnard et al., 1997).

5.4.5  Client's financial position

The financial position of a client may also impact the client's ability to influence a valuation. Knapp (1985) suggests that a client in good financial condition is seen as more likely to obtain its preferred outcome than a client in poor financial condition.

The importance of a client to the provision of a professional service has been well documented in academic studies. The initial conceptual framework has identified five characteristics of the client that may affect client influence, these being the type of client, size, strength and market power, their prior involvement with the client's assets, the importance of the service outcome and the client's financial position. The next section examines a number of external characteristics that were considered relevant in the context of an initial conceptual framework of client influence.

5.5  EXTERNAL CHARACTERISTICS

The literature not only highlights the potential for individual service providers and/or client characteristics to impact on client influence, but also factors external to the service provider/client relationship. Evidence suggests that working within a specific commercial environment may result in certain pressures impacting on the client/service provider relationship. Such external characteristics include the regulatory framework, the definition of market value and market conditions.
5.5.1 Regulatory framework

Issues relating to the effectiveness of a regulatory framework have been addressed by a number of authors both in the auditing and real estate disciplines. Graaskamp (1988) argued for the introduction of federal regulation in the valuation industry to exclude controllable valuers and more recently the Carsberg Report recommended further regulation in the UK (RICS 2005). Hendrickson and Espahbodi (1991) suggest that the penalties currently imposed for violations to ethical practices in the auditing industry are not effective deterrents. This observation was due to the prevalence of the practice of "opinion shopping" and its perceived detrimental effect on auditor independence affecting the credibility, role and status of the accounting profession. In the real estate literature, Kinnard et al. (1997) acknowledge the growing perception that commercial valuers have lost some of their independence and that additional regulations are required to deter client pressure and encourage valuer independence. Lindsay (1989) and Beattie et al (1999) both found that rules and regulations and accounting standards are likely to enhance auditor independence. Bazerman et al (1997, 2002) contend that this may not be the case and that there are more psychological influences at work.

5.5.2 Definition of market value

Another issue perceived as having the potential to impact client influence is the definition of value. There has been criticism that current definitions are too restrictive resulting in valuers being asked to carry out impossible tasks. More specifically, commonly used definitions tend to limit valuers to one set of circumstances, whereas properties actually sell under many different circumstances (Roberts and Roberts, 1991). Valuers may therefore be influenced to value a property reflecting a situation that they believe would benefit their client.

5.5.3 Market conditions

Other external factors, such as the market conditions within which the client/valuer interact, may increase the likelihood of client pressure (Kinnard et al, 1997). The implication of this is that a highly competitive valuation market may encourage a valuer to report a particular value in order to obtain more work. Acknowledgement of this practice specifically in times of greater competition has been observed in the auditing profession (Lindsay, 1989; Knapp, 1985; Hendrickson and Espahbodi, 1991). Market power may also serve to encourage clients to use threats to coerce a valuer to value a property at a desired figure. This market/competitive pressure may be compounded with the practice of lenders limiting their approved valuer list, placing pressure on valuers to acquiesce (Smolen and Hambleton, 1997).
This section has set out certain external characteristics that may have the ability to impact on the ability of a client to influence the valuation process. The next section discusses the fourth and final element of the initial conceptual framework, the characteristics of the service.

5.6 SERVICE CHARACTERISTICS

A number of characteristics specific to an individual valuation were identified as having the potential to affect the amount of client influence exerted on a valuer. These are discussed below and include, the range of defensible values, subjectivity and purpose of the valuation, the complexity of the valuation, valuers prior involvement with the service, the subjectivity or ambiguity surrounding the valuation and the adjustment size.

5.6.1 Range of defensible value, subjectivity and purpose of the valuation

An important characteristic of a valuation is the range of values that can be legitimately defended by a valuer. The property-related literature reviewed in Chapter 2 clearly indicates that valuation is not a science and that there are many factors that can affect a valuer’s perception of value. Behavioural property research identifies human information processing and problem-solving issues as a major source for this variability (see for example Diaz, 1999). Bazerman et al (2002) identify “ambiguity” as a similar concept in auditing. They describe this as the bias that exists when information can be interpreted in a number of different ways.

The existence of a range of values may implicitly lead to client influence (Roberts and Roberts, 1991). For example, Rushmore (1993) explains a situation when valuing a hotel where an “entire deal rests on the appraiser”. This tends to suggest that if the valuer can value within the top end of the range and satisfy the client then he/she may be encouraged to do so.

The auditing literature implies that client pressure is more likely to be successful when more discretionary judgement is involved (Nichols and Price, 1976; Lindsay, 1989). Many valuations involve a certain amount of subjective and/or discretionary judgement and thus may be susceptible. The amount of adjustment required by the client has been cited as a potential factor determining whether a valuer would be prepared to change a reported valuation figure. Kinnard et al (1997) tested this and found it not to be a significant factor. This may be because it is not the amount of adjustment that is important, but whether any adjusted figure can legitimately be defended by the valuer.

5.6.2 Complexity of the valuation

Another factor unique to the individual valuation capable of affecting the potential for client influence is the level of valuation complexity. Rushmore, (1993) suggests that complex valuations present more opportunities for changes than simple valuations. For example, he explains a number of steps that need to be followed when appraising hotels. He gives examples of different techniques a valuer can
use to "pump up the final estimate of value". These include increasing the size of the primary market, using higher demand growth rates, inflating the competitiveness of the subject property, using an unrealistic inflation rate and omitting certain expense categories.

5.6.3 Prior involvement

There are situations when a valuer may be reluctant to expose what may be considered as previous 'mistakes' to their client., Bazerman et al (2002) argue that it is natural for people to conceal or explain minor indiscretions or oversights, sometimes without even realising they are doing it. They describe this as "escalation". Although in these circumstances the client may be unaware of the influence they are exerting, the valuer may be encouraged to modify the valuation result in anticipation of their client's reaction. Geltner (1993) reports that a valuer "will typically be aware of the previous appraised value" and prefer not to be placed in a position where they have to explain or justify a large change in value, particularly a negative one.

5.6.4 Adjustment size

Although adjustment size was found not to affect client influence (Kinnard et al and Worzala et al., 1997) intuitively it makes sense that the larger the adjustment size required by the client the more resistant a valuer would be, therefore it has been incorporated in the framework for further investigation.

This section has clearly identified five characteristics of the service that may affect client influence, these characteristics have been included in the initial conceptual framework which can be found in Figure 5.1. The next section summarises the findings of this chapter.
5.7 SUMMARY

This chapter has described the individual features which constitute the initial conceptual framework of client influence as illustrated in Figure 5.1. The framework includes a number of factors capable of affecting the amount of influence and strategies that may be used by clients to influence valuation outcomes. These factors include the characteristics of the service, service provider, client and external factors. As explained previously this framework was created at the initial stages of the research process and did not benefit from the insights set out in recent publications or from the increased knowledge and understanding of the researcher which developed as the study progressed. It was however, intended as a starting point guiding emerging concepts from later interviews with valuers and clients. This framework now together with the research question set out previously provides a foundation for the study and acts as a guide for further enquiry. It is not considered as a vehicle for hypothesis testing but has been used to guide and inform research in the later stages of the research process.

As explained previously, this initial framework demonstrated the essential roles of both the valuer and client in the valuation process and thus interviews with both of these parties were carried out in the next two stages of the research process. The next chapter describes the data collection obtained from the interviews with five experienced valuers working in the Auckland area. It describes how the data...
obtained from these interviews were then interpreted to build an updated framework of client influence.

Chapter 5 References


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CHAPTER 6 VALUER INTERVIEWS

6.0 INTRODUCTION

Chapter 5 set out an initial framework of postulated factors affecting client influence with information gained from a variety of different literatures together with the knowledge and experience of the researcher. In order to verify and/or update this framework an in-depth understanding of the valuation process from the viewpoint of both valuers and clients is now required. As set out in Chapter 4, the methodology utilised in this study has been influenced by the overall research philosophy and specifically the interpretivist approach. The main purpose of this study as guided by the research question is to achieve substantive meaning and understanding of how and why valuers may be influenced by clients during the valuation process. This quest for understanding directed the study to a qualitative methodology and as explained in Chapter 4, more specifically to a grounded theory approach as presented by Strauss and Corbin (1998).

Taking into account the research philosophy and methodology together with a number of logistical considerations discussed in Chapter 4, it was concluded that the most appropriate data collection methodology would be one-to-one interviews with valuers and clients by way of a case study approach together with further client and valuer feedback. This chapter sets out the in-depth interviewing process undertaken with experienced valuers. The results and findings of this stage of the research process are then reported together with a number of updated illustrative frameworks incorporating purported factors affecting client influence.

The chapter is set out in the following sections:

Section 6.1 discusses the data collection methods

Section 6.2 explains the data interpretation process

Section 6.3 sets out a summary of the main factors and subfactors derived from the interviews with experienced valuers

Section 6.4 discusses the interpretation of the data from the valuer interviews

Section 6.5 sets out the revised framework of client influence

Section 6.6 presents a comparative analysis of the revised framework and the initial conceptual framework of client influence
Section 6.7 outlines a number of additional observations and relationships interpreted from the transcripts; and finally

Section 6.8 summarises the findings of the chapter.

6.1 DATA COLLECTION

As described in Chapter 4, in-depth one-to-one interviews were utilised to collect the data. These interviews permitted the researcher to obtain rich data in a comfortable and safe environment for the valuer. They allowed the researcher to explore with the valuer the many different aspects of the valuation process in a structured manner. The valuer was also able to speak openly in confidence about their experiences and their relationship with their clients.

Five New Zealand registered valuers were approached by the researcher and all agreed to participate. Each valuer was registered by the Valuers Registration Board (VRB) and had in excess of seven years' commercial valuation experience and they all held senior positions within their organisation. Three respondents worked for large multi-disciplinary real estate companies, one for a privately owned valuation practice and one for a large multi-national accounting organisation. All were male. The number of valuers interviewed was determined by theoretical sampling and after the completion of these five interviews no further themes, concepts and ideas relevant to the topic were forthcoming. Once each valuer agreed to participate, a meeting was arranged at the interviewee's place of work. Each interview was carried out in a location where the participants were unable to be overheard and no interruptions were possible. Due to the complexity of the subject and length of each interview (in excess of one and a half hours) two interviewers jointly interviewed each valuer. The advantage of this was that each interviewer was able to identify areas they perceived required further clarification or investigation. There was no evidence that the interviewees were intimidated by being questioned by two interviewers and none voiced any concern.

The interviews commenced with a short conversation explaining the process and answered any questions or concerns the interviewee had. The main part of the interview was then initiated with a "prompt" from the interviewer. The same initial prompt was used in all five interviews; it was read out by one of the interviewers and was designed to encourage responses from the valuer relating to any behavioural and non-technical factors they believe may affect reported valuation figures.

The initial prompt was expressed as follows:

"As you are well aware, there has been a considerable amount of research focusing on valuation methodology – what tools and techniques do valuers use to produce value estimates? The objective of our research is to explore more the behavioural and non-technical factors affecting reported values."
The first step in this process is to identify and understand these factors and how they may affect reported values. Based on our experience and research, we are currently compiling a list of non-technical factors which we believe affect reported values. What we would like to know is what factors you feel as a professional valuer affects the values that you report to your client."

The prompt was worded in such a way as to allow the interviewees to consider the valuation process in general terms rather than limiting the discussion to valuation techniques.

In each interview the respondent identified the client's input into the valuation process as an important factor affecting provision of the service. This was not unexpected as the literature review indicated that the valuer as a professional service provider is dependent on the client for their input into the valuation process. Once the interview was underway and the respondent seemed comfortable with the topic, the interviewer encouraged the valuer to express their thoughts, experiences and opinions relating to the area of client influence.

The main aim of the interviews with valuers was to discover their perceptions as to the role the client plays in the valuation process and the ability they have in influencing valuation outcomes. In order to do this the data collected from the interviews were interpreted. This process is described in the following section.

6.2 DATA INTERPRETATION

In order to achieve an effective coding process for the study, each interview once completed was transcribed, and then coded by way of the "open coding" technique as recommended by Strauss and Corbin (1998; see Chapter 4 for more details). The coding process included the researcher, a judge and an arbiter. The researcher first analysed one selected interview and labelled the main concepts, backed up with evidence from the transcripts. Descriptions for each of these concepts were then defined. A second academic with knowledge of the valuation process was then elected a judge and examined the outcome of the analysis. Agreement was then reached between the researcher and the judge as to the accuracy and relevance of each of these definitions concepts and ideas. This process was then repeated for the remaining four interviews.

New information from each additional interview was used to add to the factors and repeated factors and ideas were used to further clarify each description. Once the process was completed with all five interviews it was clear that additional valuer interviews would not add substantially to the understanding of the valuation process from the perspective of valuers and thus saturation had been reached. At the completion of the coding process a third person was selected to act as arbiter to
ensure that the factors identified were a true reflection of the interviews. This process is illustrated diagrammatically in Figure 6.1. Factors and subfactors identified from the coding and their corresponding definitions can be found in Appendix 6C. In addition to defining concepts the researcher delved deeper into the data and identified additional relationships which will be discussed later in this Chapter.

Within-Case analyses were undertaken in the form of individual interview summaries, these can be found in Appendices 6A 1 - 5. Each summary sets out an individual factor and/or idea in a bullet point in the order of interviewee responses. These summaries assist in the contextualisation of each of the identified factors and in identifying the relationships between factors cited in Section 6.4. Cross-case analyses were also carried out by way of open coding and resulted in a summary of main factors with appropriate definitions allocated to each factor. The next section outlines these factors and definitions.
As described in Chapter 4, each of the transcripts was interpreted through the process of "open coding". Strauss and Corbin (1998) describe open coding as the analytic process through which concepts were identified and their properties and dimensions discovered in the data (Strauss and Corbin, 1998). During this process a number of categories and sub-categories were identified as recurring themes throughout the interviews. Categories can be described as concepts (the building blocks of theory) that stand for phenomena (central ideas in the data represented as concepts) (Strauss and Corbin, 1998). In addition, a number of sub-categories were identified (concepts that pertain to a category, giving it further clarification and specification). For example in Figure 6.2 a recurring theme was that different client characteristics could affect client pressure in different ways.
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Client characteristics therefore were identified as a category and the different types of characteristics as described by the interviewees as sub-categories. For the purpose of this study categories may also be called factors and sub-categories subfactors. Nine main factors were identified and from these a number of sub-factors emerged. These are set out in Figure 6.2.

**FIGURE 6.2 FACTORS AND SUBFACTORS IDENTIFIED IN VALUER INTERVIEWS**

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## Conceptualising the Influence of Clients on Valuations

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Client instructions were included both under Client pressure/influence and also the valuation process

Once each of these factors had been identified, named and agreed upon by the researcher, judge and arbiter, they were then allocated a definition. By defining each of these factors the researcher was able to clarify and specify its particular characteristics (Strauss and Corbin, 1998). The definition of these factors and sub-factors, although in some cases influenced by the previous literature and the experience and knowledge of the researcher and judge, were primarily informed by the valuer responses. The definitions agreed between the researcher judge and arbiter are set out in Appendix 6A.

This section has described the process by which the transcripts were interpreted and the categories and sub categories were defined. The next section discusses each of these categories and sub-categories in more detail together with illustrative comments from the interviews.

6.4 INTERPRETATION OF THE DATA FROM VALUER INTERVIEWS

Appendix 6A sets out a number of definitions describing categories and sub categories identified in the valuer interviews as having the potential to affect the amount and type of client influence on the valuation process. Each of these definitions succeeded in clarifying and specifying each of the factors characteristics. This section discusses in more detail how these factors were interpreted from the data. A number of quotes have been included to further explain each factor. Appendices 6B 1 – 6B 5 set out a number of tables containing further illustrative quotes from the transcripts.

The following sections discuss each of these factors in more detail and are set out as follows:

Section 6.4.1 Client pressure and influence (see Appendix 6B 1)
Section 6.4.2 Client characteristics (Appendix 6B 2)
Section 6.4.3 The purpose of the valuation (Appendix 6B 3)
Section 6.4.4 The valuation process (Appendix 6B 4)
Section 6.4.5 Valuer characteristics (Appendix 6B 5)
Section 6.4.6 Valuation firm characteristics (Appendix 6B 6)
Section 6.4.7 Technical valuation issues (Appendix 6B 7)
Section 6.4.8 The client relationship (Appendix 6B 8)
Section 6.4.9 External pressures (Appendix 6B 9)
6.4.1 Client Pressure and Influence

The interpretation of the data revealed extensive evidence of client pressure or influence within the valuation process. As set out in Appendix 6C, a definition of client influence for the purposes of this study as agreed between the researcher, judge and arbiter was:

*The ability of the client to influence valuation outcomes by exercising different forms of power influence and/or pressure.*

The analysis of the transcripts gave a clear indication as to the type of pressure and influence clients are able to bring to bear on the valuer. Not all these influences were necessarily perceived as being inappropriate or forceful. For example a valuer just knowing of the expectations of a client may in some way affect the final figure a valuer may place on a property. Eight identifiable areas of client pressure and influence were identified from the interpretation of the valuer interviews, these were:

- Client expectations
- Information power
- Expert power
- Badgering
- Coercive power
- Reward power
- Client instructions, and
- General influence

Each of these will now be discussed; direct quotes from the transcripts have been used to illustrate various concepts. Further illustrative concepts comments can be viewed in Appendix 6B 1

6.4.1.1 Client expectations

From an analysis of the interviews it was apparent that a client's ability to influence valuation outcomes may take a variety of forms. Client expectations as set out in Appendix 6C for the purpose of this study is defined as:

*The situation where a client influences a valuation outcome by implicitly or explicitly making known their expectations regarding the valuation outcome. This can include their expectation regarding valuation standards, methodology and/or the final figure required.*

The valuers interviewed, suggested that it is not unusual for a client to clearly outline to the valuer at the commencement of the valuation process their expectations in relation to the final valuation outcome. For example one valuer explained:

"... well you know they came out right at the start and told us what value they wanted .... They said 'this is the value we want in this exercise'".
Evidence from the interviews also suggests that knowledge of a client's expectations and requirements may affect the way a valuer approaches a valuation and thus affect the valuation outcome. These results correspond with the auditing research of such authors as Lowenstein et al (1993) who illustrated that even a suggestion of a hypothetical relationship distorts an auditor's judgment. The tendency to be influenced by a client's expectations may also be explained by the agency relationships that exist between clients and valuers and the consequences of not pleasing the client (Fletcher and Diskin, 1994; Horne and Rosenblatt, 1996; Rushmore, 1993; Rutledge, 1994). As detailed by one respondent:

".... they know they have got to please that particular crowd to keep their work...."

and

"... we know they have agendas and essentially we will respond to those agendas .... My agenda is only to satisfy two issues, one the client, in terms of his agenda, but the second one is my responsibilities ... in terms of ethical requirements".

Respondents also highlighted that client expectations within the context of a valuation may differ depending on the type of the client, for example:

"... if someone walks in the door and says I need a valuation, I've got to sell the property and I want you to make it the highest you possibly can, you ... may well come up with a different valuation figure than ... if a big banking client comes in and asks you for a very conservative, realistic figure for say the fire sale of a property."

Client expectations may also differ depending on the purpose of the valuation, for example it may be that the valuation is to be published in an annual report and that it should not indicate:

"an unrealised valuation loss........" 

In this situation the valuer may explicitly or implicitly feel under pressure to come up with a valuation figure understating such a loss over the previous year. The whole notion of pressure from client expectations seemed a very real issue for the valuers interviewed, one summed it up as follows:

"I mean obviously the client does impact on it, and because of their expectations as well, we get put under a lot of pressure to change values based on what they expect."

In summary, an interpretation of the interview transcripts indicates that knowledge of the client's expectations may be a factor in influencing a valuer's reporting of valuation outcomes.
6.4.1.2 Information power

The second area where the valuers interviewed highlighted the ability of a client to influence valuation outcomes was through the utilisation of information power. Information power was discussed in detail in Chapter 3 and as set out in Appendix 6C the agreed definition for the purpose of this study is:

*The situation where a client provides and/or withholds information from a valuer which could in turn influence the outcome of the final valuation figure.*

In the context of the valuation process, the interpretation of the valuer transcripts clearly demonstrated that information power can present itself in a number of ways, for example through the client emphasising a property's positive attributes, the withholding of negative information and the provision of supplementary market information. Thorough and accurate information is an essential element of an accurate valuation. Valuers in many cases are reliant on their client to provide full, timely and accurate information (especially information specific to the property being valued. This reliance creates an opportunity for a client to withhold information thus affecting the valuation outcome and also providing evidence that may support their target valuation figure:

"it is naturally human nature to tell the person something that will be to your advantage and not tell them things that are not to your advantage."

Another valuer noted that in their experience a few clients have:

".. purposely withheld information because they know it's going to have a negative impact on that value, particularly in rent review cases."

Respondents stated however, that the withholding of information was a "rare event" and that generally clients appreciated the link between better information and valuation accuracy. Valuers indicated that in order to compensate for poor or missing information they would tend to value a property more conservatively. This was described by one valuer in the following way:

"... If the valuer is not comfortable with the quality of the information, he is more likely to take a pessimistic view of the end value, just to give him that level of comfort."

One valuer in defending this approach suggested that if a potential purchaser was to receive limited information they would consider a potential purchase "more risky" and therefore would factor this into their assessment of value and ultimately their offer for a property.

Respondents also suggested that the amount of information a client may be prepared to provide a valuer may relate to the size and type of client, for example one valuer explained that:

"the bigger clients generally give you everything you need whereas a few clients ... have purposely withheld information because they know it is going to have a negative impact on that value."
Conceptualising the Influence of Clients on Valuations

Clients also have the ability to furnish the valuer with evidence of contract rents:

"when developer Y puts contracts on the table, showing he has achieved certain proceeds, it has an impact..."

The valuers distinguished between information regarding the property and information relating to the market. A valuer is often reliant on a client to supply information pertaining to a property whereas valuers generally have access to extensive market information. Respondents did point out however that some larger clients with large property portfolios may have access to "hard" market evidence that a valuer may not be aware of, and when this evidence is produced it has the potential to alter a valuer's view of the market. In summary, themes from the transcripts indicate that information provided to or withheld from a valuer by a client can impact on valuation outcomes.

6.4.1.3 Expert power

Expert power was a third kind of client influence identified from the interpretation of the valuer transcripts. The concept of expert power was identified in the work of Pasewark and Wilkerson (1989) as discussed in Chapter 3. The definition of expert influence as agreed by the researcher, judge and arbiter within the context of this study is:

The situation where a client uses their experience and/or expertise to influence the outcome of a valuation.

All valuer interviews highlighted the close relationship between the client and the valuer and the substantial input the client has as part of the valuation process. There was an indication that larger companies have access to more information and expertise than smaller companies and are thus more likely to possess the ability to use expert power. One respondent suggested that it was the larger companies that:

"... are able to supply you with all the information you need for the valuation process in terms of comparables and in terms of scrutinising draft reports and so on and checking that everything's there".

The interviews suggest that expertise may take a number of forms including questioning and advising on the technical aspects of the valuation. For example, valuers spoke of the client going through the valuation in detail and asking such questions as:

"...Why did you take a terminal value based on a 10.5% cap rate rather than 7.5%?"

"... Why have you got 10-12% in your DCF, and why have you got 8-10%, why'd you select 9%?"
The transcripts indicated that generally valuers feel that input from an experienced client is beneficial, as in many cases, especially for more complex properties, the client may know the property better than the valuer and have the expertise to pick up mistakes, as one respondent stated:

"... well there could be mistakes and there could be just an error, you have certain contract rents that are wrong or you've missed some part of the cash flow ... they want to make sure ... that you've taken full account of reversions and so on and all different cash flow items are included ...."

Another illustrated this further by stating that:

"I believe it's fairly important (client comment) because.... I think the client knows the property more than you do, particularly for ... the unusual properties because as a valuer you wouldn't come across them that often, and yet they're dealing with the property on a day to day basis, they would have a better understanding of the property than you would..."

In summary, an analysis of the transcripts suggest that the larger the client organisation the more likely that employees will possess the expertise regarding the market and the specific property being valued, expert influence was found to take a number of forms including asking technical questions, checking for mistakes and ensuring that all appropriate information had been included.

### 6.4.1.4 Badgering

The transcripts also reveal a fourth type of client influence, which for the purpose of this study is described as badgering. The definition of badgering as agreed by the researcher, judge and arbiter is:

*The situation where a client constantly harasses, badgers and/or pleads with a valuer in an attempt to influence the outcome of the final valuation figure.*

Badgering may be used by clients in financial difficulties, where they may seek out a sympathetic valuer and use pleading tactics, for example:

"... if it is a write-down situation, it's quite clear, the client will throw their hands in the air and look at me for sympathy and will say, this is a write-down ... can you please help to minimise the write-down."

Another explained that developers, more than any other type of client, are most likely to badger a valuer. This was described clearly by one respondent:

"A classic example would be a development, where the developer just has very unrealistic expectations of the market rent .... And he said you guys have got it wrong, it's worth a lot more than that ...and he said, well, based on that I'm going to go broke on this ..."
Shouting, yelling and other forms of intimidation were also described by respondents:

"... And he thumped the desk and shouted and yelled and said "it's no good to me!"

"I've had situations where they say :what the hell do you know what you're talking about" ... it is a bit intimidating, you start thinking, well maybe I have got it wrong, so you go back, you go over it again...

In summary, respondents did report the use of badgering as a technique used by clients with the potential of affecting valuation outcomes. Badgering can take various forms including pleading, begging, shouting, yelling and other forms of intimidation. Of all clients, developers were most likely to use such techniques.

6.4.1.5 Coercive power

Coercive power is the fifth type of influence available to a client when attempting to change a valuation outcome. The agreed definition of coercive power for the purpose of this study, is as set out in Appendix 6C:

The situation where a client punishes or threatens to punish a valuer in order to influence the outcome of the final valuation figure. This may include the threat of non-payment of fees or switching to another valuer.

Coercive and reward power were identified in the literature review and were also included in the initial conceptual framework (Figure 5.1). The most common kind of coercive power identified in the interviews was the threat of non-payment of fees, for example one respondent explained:

"I rang through the answers, he then said "well stick the report and you know don't bother sending your fee account" was his answer to my valuation and that was the end of the matter".

Coercive power can take the form of a client threatening to move to another valuer they perceive to be more likely to report a more acceptable value and/or would charge a lower fee. This kind of client behaviour has led a number of valuers declining valuation assignments for example:

"I mean you’re facing the prospect of losing a client which is losing income, but at the end of the day we’re not prepared to work for the people who are going to put us under that sort of pressure and make us, you know, prejudice ourselves".

Developers were reported as being the type of client that would be most likely to use coercive power. Because of this tendency to use both badgering and coercion some valuation firms charge a premium for undertaking work for developers:
"So when a developer says to us, "we can get this job done a lot cheaper somewhere else" we say fine, we are happy with that. We'll do the job, but only on that fee, we are very firm on fees for developers."

In the property and auditing literatures additional coercive tactics were discussed including a decrease in the number of assignments, the threat of court action, refusal to pay the fee and loss of a contract (see for example Rushmore, 1993; Smolen and Hambleton, 1997; Henrickson and Espahbodi, 1991). It is evident from the interviews that coercion is a method used by some clients when trying to influence valuation outcomes, and as with badgering this type of influence is most commonly used by developers.

6.4.1.6 Reward power

Reward power is the sixth type of influence identified through the transcripts as being available to the client. This type of power was also discussed in the literature review and included in Figure 5.1. Reward power has been described in this study as:

The situation where a client rewards or promises to reward a valuer in order to influence the outcome of the final valuation figure. This may include the promise of future work, or payment of fees if a particular valuation outcome is reported.

The transcripts indicate that the ability of a client to use reward power is greater if the client works for a large organisation and is able to offer substantial future work to the valuer:

"... well you have to say they are more likely to influence you more than a one off client and if it's potential for bigger fees out of them, you'd say well, more likely to do a better job for them or you'll more likely to go out of your way to retain them ... well I think that will come through on your value consideration part of your report."

The respondents indicated that the susceptibility of a valuer to this kind of influence may vary depending on their method of remuneration. For example valuers paid on the basis of performance may be more likely to try and please the client than valuers paid a straight salary.

"... well I think it is purely the temptation aspect, I think, that's the reason for it (performance-based fees)."

The transcripts also indicate that valuers may be more susceptible to reward power if the market for valuers is competitive and they are struggling to receive adequate fees especially in the residential valuation market.

"So if you haven't got a lot of work to do and you are a residential valuer and somebody comes through the door ..... you are probably thinking about feeding the family .... But they are always at the back of your mind..."
The valuers interviewed noted the temptation of pleasing the client in order to receive potential rewards from their clients but were reluctant to compromise their integrity to achieve this:

"... it's money ..... in your back pocket so to a degree ..... pleasing the client is number one, your number one aim......but you can only take it so far to please them .... Before you start compromising yourself."

In summary, the interpretation of the transcripts indicates the potential for a client to use reward power to influence valuations. They also emphasise the tension valuers' face having to balance keeping their integrity with pleasing their client.

### 6.4.1.7 Client instructions

The interview transcripts identified client instructions as another way clients can intentionally or unintentionally influence a valuation outcome. The agreed definition, as found in Appendix 6C, is:

The situation whereby the client instructs a valuer in such a way that they influence the outcome of the final valuation figure. This may include identifying a specific date for the valuation and specific methods to be used.

The valuers interviewed noted that although they felt that they should not necessarily be influenced by their instructions or the intention of their client:

"it is very difficult to move away from how you were originally introduced to a situation ... and as much as you try not to be you are certainly going to have a different slant on the property initially".

Respondents interviewed confirmed that clients' instructions recommending a preferred methodology are commonplace especially the requirement to include a discounted cash flow analysis.

The objectivity of a client's instructions was identified as a potential issue by the respondents. It was suggested that instructions would be more objective when received from a third party. As one respondent explained when instructed directly by a client there is always a danger that a valuer:

"... could be identifying too closely with their client's objectives and not their own."

The advantage of receiving instructions from a third party has also been identified in the auditing literature where Mayhew and Pike (2004) suggested that the transference of power to hire and fire, from clients to investors, can significantly decrease the proportion of independence violations. They propose that by placing controls over the hiring and firing of auditors in the hands of a third party separate from client management, can substantially improve auditor independence.
6.4.1.8 General influences
The agreed definition of general influences for the purpose of this study is:

The situation where the client influences the outcome of the final valuation figure
by using other forms of power and influence not included under client
expectations, information power, expert influence, badgering, coercive power,
reward power or by specifying instructions.

The transcripts identified two additional forms of influence, one being the situation where a valuer feels pressured to offer a service which “I think they need”, and a second where a valuer’s perceives that they need to “be friends with” their client and to provide them with what they think they require.

In summary, this section by interpreting the transcripts has identified, described and discussed eight different types of power a client may present in order to influence valuation outcomes. These powers were the client’s expectations, information power, expert power, badgering, coercive power, reward power, client instructions and general influence. It was evident from the transcripts that the amount and type of influence brought to bear on a valuer by a client may be affected by many factors including the size and type of client, the purpose of the valuation and the way a valuer is remunerated. The next section looks more specifically at how these different client characteristics may affect the amount and type of influence brought to bear on the valuer.

6.4.2 Client characteristics
Unprompted, all respondents referred to different client characteristics as affecting the type and amount of influence a client may bear on a valuation outcome. Previous literature has not specifically identified the different characteristics of clients as affecting the type and amount of influence on valuation outcomes. After analysing the transcripts it was agreed between the researcher, judge and arbiter that client characteristics for the purpose of this study was defined as:

The specific characteristics of the client or client organisation, these characteristics include the main business of the client, size of the client organisation, whether the client is a purchaser or seller, landlord or tenant. They include personality of individuals, culture or nationality, moral reasoning, financial position and method of client remuneration.

The following category clusters relating to the characteristics of clients emerged as follows:

The sophisticated client
The unsophisticated client
The developer
The institutional client
The bank
The distressed client, and the
The ethical/unethical client

It was evident that each of these clusters of clients possessed different characteristics that could affect valuations in different ways. It should be emphasised that the transcripts also indicated that an individual client could belong to one or more of these category clusters. For example a client may be a listed property trust (LPT) and would therefore be classified as an institutional client. They are also considered a sophisticated client and tend to belong in the category of an ethical client. A distressed client however, may possess the characteristics of an unsophisticated client and also an unethical client.

The interviews identified a number of other aspects relating to the client that could affect their relationship and negotiation with the client, these included:

The client's remuneration method
The size of the client
Whether the client is a purchaser or seller of a property, or
The landlord or tenant
The culture or nationality of the client, and
The personality of the client.

Each of these factors relating to the valuer/client relationship are now discussed together with illustrative quotes. Additional quotes from the transcripts can be found in Appendix 6B 2.

6.4.2.1 The sophisticated client
Respondents highlighted the level of "sophistication" of the client as having an impact on the type of influence that tended to be exerted. The definition for a sophisticated client agreed between the researcher, judge and arbiter was:

A client that has a large amount of experience in the management and/or valuation of property assets. They tend to be larger companies very much involved in the day to day management of large property portfolios. They typically use expert and information power in order to influence the outcome of the final valuation figure.

The respondents highlighted the high level of expertise and knowledge of the sophisticated client. One respondent summarised this as follows:

"... generally the client knows the property better than the valuer does... the client understands the market better than the valuer does."

Sophisticated clients are therefore often in a position to use information and expertise to influence a valuer. They may bring specific factors to the attention of a valuer that they believe have not been
given full consideration. In such circumstances they may supply their own confidential information to the valuer. Sophisticated clients tend to have access to timely information on the property and the property market. They are familiar with the valuation process and the specific information that is most likely to change a valuer’s perception of a property’s value.

The practice of a valuer submitting a draft report to a sophisticated client was described as commonplace by all valuers. This practice may therefore serve to facilitate the use of information and expert influence.

“For certain purposes we prepare draft reports quite regularly. In particular where reports are done for asset purposes we would normally prepare a draft report and then fire a copy down to the property asset manager, just so they can have a final check.”

The valuers also suggested that sophisticated clients tend to be:

“...less likely to be aggressive in the way that they approach the valuation process”.

They also highlighted the fact that sophisticated clients are more likely than other clients to place pressure on the valuer to value a property more conservatively as they:

“know that they are going to get analysed to death”.

This section has therefore defined a sophisticated client and discussed a number of their characteristics and the potential effect of these characteristics on the client’s capability of influencing valuation outcomes. The next section compares these characteristics with those of an unsophisticated client.

6.4.2.2 The unsophisticated client

An unsophisticated client as described in Appendix 6C is:

A client that tends to be a small-sized company or individual that does not possess the expertise and experience of a sophisticated client. They typically use badgering, coercive and reward power in order to influence the outcome of the final valuation figure.

The transcripts indicate that unsophisticated clients may use information power in an attempt to influence valuation outcomes, but unlike sophisticated clients they tend to wield this power by withholding information, providing false information and over emphasising positive aspects of a property. They do not tend to understand the process of valuing a property and:

“... it’s a matter of holding those client’s hands a lot more and really talking it through things and probably going into a lot more depth ... there are still plenty just think you got it wrong...”
They may fail to understand the importance of providing information and thus become frustrated by the time and effort required in making such information available to the valuer. As one valuer explained about less sophisticated clients:

"... some clients are frustrated with the process of providing information ...

"what do you need this information for? We are telling you aren’t we? Why do you need to see it?"

Valuers generally find these smaller clients more difficult to deal with, especially when the valuation outcome places the client in a position of financial loss. These clients often find it difficult to understand why the valuer cannot value a property to “the figure in his mind”. Valuers reported cases when an unsophisticated client will be far more aggressive than a sophisticated client in an attempt to persuade a valuer to report the figure they require:

“the smaller client has a figure in his mind and says this is what I want and he will go to any lengths to get that figure”.

There was also evidence that unsophisticated clients would be more likely than sophisticated clients to use more overt coercive influence if a valuation figure does not come up to their expectations. In summary the transcripts clearly indicate that the different characteristics relating to a sophisticated and unsophisticated client affect the way they interact with their valuer in an attempt to influence valuation outcomes. The next section looks specifically at the different characteristics of the developer, institutions and banks.

6.4.2.3 The developer

Developers are another group of clients that valuers perceive as bringing to bear certain unique pressures on them in order to attain the reported values they require. The agreed definition of a developer for the purposes of this study is:

A client who undertakes property development projects; they are typically a small to medium-sized company or individual; they possess both experience and expertise.

It should be noted that this definition reflects the comments of the valuers interviewed who categorise larger developers more in line with institutions or investors and for the purpose of this study are classified as sophisticated clients and institutions.

Valuations produced for smaller developers are essential to the success or failure of a development. If the valuation comes below expectations then a developer may be left in a situation with no financial backing and subsequent major negative economic implications. Because of these requirements the respondents suggested that developers will tend to instruct only valuers that they believe will give them a more optimistic valuation. As explained by a respondent:
"... a developer is more likely to use someone who they know will come up with a more optimistic view on the property than someone who will not..."

Developers possess some of the behavioural characteristics of an unsophisticated client and others of a sophisticated client. For example they are often very experienced and knowledgeable about property, but they also tend to be very aggressive when dealing with the valuer using coercive influence and badgering. These findings concur with the work of Adair et al (2005) who found that developers considered that they had superior knowledge of the market to valuers. They are also keen to “paint the rosiest possible picture” and withhold information that could be disadvantageous to them. For example:

"... if there were any factors affecting value, any downside at all, they (developers) would try and hide it from you ... there may be a lease for example that has been entered into and there may be inducements that they do not tell you about and that’s always a favourite."

Respondents advised that that it is not unusual for developers to pose problems for valuers especially in the area of intimidation, non payment of fees and riskier projects. As already discussed this perception has led to some valuation companies charging a premium over other clients for a similar job:

"we look to charge developers higher fees than what we charge our institutional clients for several reasons; higher risks on projects, they are generally harder clients to work for and you might get the odd one that doesn’t pay".

From the interpretation of the data it is clear that the small to medium-sized developer may attempt to openly pressurise valuers to value a property at a particular figure. This is seen as a problem by a number of valuers and has resulted in many valuation companies charging a higher fee before they will accept an instruction. Institutions and banks have very different characteristics and have the ability of influencing valuers using different more sophisticated methods. These are discussed in the following sections.

6.4.2.4 Institutions

Banks and Institutional investors can both be categorised under “sophisticated clients”, but in addition to this they each have a number of unique traits that affect the way that they may be able to influence valuation outcomes.

Somewhat surprisingly fund managers with performance-based remuneration often request conservative valuations in times of growing values in order to leave an element of growth for the following year. This enables them to project a well-managed portfolio with constant and regular yearly returns. As with other sophisticated clients institutional investors tend to use expert and information
power to influence a valuer. They are generally ethical and less aggressive to deal with than a developer.

"If you are dealing with an institutional investor they are less likely to be aggressive in the way they approach the valuation process than if it was a developer..."

6.4.2.5 Banks
Banks as set out in Appendix 6C are defined for the purpose of this study as:
A substantial banking institution involved in the lending of finance for the purchase or development of property.

Respondents reported that banks tend to be pessimistic often requesting "a very conservative, realistic figure" from a valuer. As one respondent explained:
"... well bankers want you to be as pessimistic as hell ... so their can always be downward pressure".

Because of their requirements for a conservative valuation the valuers interviewed indicated that banks tend to be attracted to particular valuation companies, for example:
"... you've got some valuers that do a lot of work for banks and are known to be quite conservative and they will always be below the purchase price on a house .... No matter how good the acquisition..."

Interviewees also identified banks as being the most ethical of all groups of clients. Clients that tend to use very different influence strategies are distressed clients and these are considered in the following section.

6.4.2.6 Distressed clients
Respondents identified the distressed clients as another type of client that commonly places strong pressure on a valuer. A distressed client is defined for the purpose of this study as:
A client under financial distress.

These clients are placed in a situation where it is essential that they can
"... get valuations on their properties increased so that they can raise more equity".

The valuers interviewed considered these types of clients to be their
"worst kind of client, the ones that are just about to go under."
These clients were cited a using all influence techniques available to them in particular badgering and coercive techniques. They were also prone to unethical behaviour. The effect of ethical versus the unethical client behaviour is discussed in the following section.

6.4.2.7 Ethical vs. unethical clients

It was evident from reading the transcripts that all the valuers interviewed categorised clients on the basis of how ethical they consider them to be. From the interpretation of the transcripts an ethical client was defined as:

A client that does not attempt to place undue pressure on a valuer to obtain the valuation outcome they require.

And an unethical client as:

A client that attempts to place undue pressure on a valuer to obtain the valuation outcome they require.

Respondents perceived the most ethical of their clients as being the easiest to deal with. Property companies, banks, institutions and trusts were perceived as most ethical. As one respondent explained:

"... I suppose falling into the most ethical category would be banks I think. I think banks are generally very straightforward ... and they don't try and put pressure. I think they are likely just to switch clients if they don't think they are getting the service they want, sorry switch valuers..."

However, as already discussed, other types of client may be more likely to act in an unethical manner and place a great amount of pressure on a valuer to change their reported values. A number of more specific client characteristics were also identified by the respondents and these are discussed in the following sections.

6.4.2.8 Client remuneration method

A number of other client characteristics were identified as having the potential to affect the amount and type of influence a client may exert over a valuer. One of these was identified as the basis on which the client is remunerated. The agreed definition of the client remuneration method as set out in Appendix 6C is:

The way a client is remunerated, for example by way of salary, performance-based and/or commission.

Some of the respondents felt that the amount of influence a client would exert on a valuation could be affected if a client was paid on the basis of performance. There was evidence to indicate that this form of remuneration could motivate a client to push for a high or lower valuation, for example as one respondent explained:
"... because these guys get paid based on how the trust performs, they may say, no we'll just leave it at that, and save some for next year...."

And another suggested:
"... from a client's point of view, from what I have seen a lot of them get paid on how a portfolio performs, ... and so to a degree they will be influencing a figure, yes influencing a valuation knowing that they are going to get paid. Their bonus is going to depend on the figure that is put down."

In addition to their remuneration method, the size of the client can also affect the way they may be able to influence a valuer, this will be discussed in the following section.

6.4.2.9 Size of client
The definition of size of the client was agreed to be:

The size of the client in terms of the number of experienced staff employed and the potential for further work.

The interpretation of the data suggests that the larger the client the more potential work they have to offer a valuer and thus a closer more trusting business relationship has the potential to develop. This relationship may result in the valuer being more likely to be open to their clients' requests. As one respondent explained:
"... Well size comes back to, I suppose how often you deal with them maybe, if you're dealing with them on a more regular basis you're more likely to be more open to what they have suggested because you have a bit more trust ... they are more likely to influence you than a one-off client..."

Not only may the size of the client affect the potential for client influence, but also the role of the client, for example the next section discusses the implications of receiving instructions from a landlord as opposed to a tenant and a buyer versus a seller.

6.4.2.10 Buyer or seller/landlord or tenant
The transcripts reveal that clients' expectations may differ depending whether a client is a potential purchaser or seller or landlord or tenant, in each of these cases the client either wants a valuer to produce an optimistic or a pessimistic valuation.

For the purpose of this study a buyer is defined as:

A client instructing a valuer to undertake a valuation for the purpose of buying a property.

A seller as:

A client instructing a valuer to undertake a valuation for the purpose of selling a property.
A landlord as:

A client instructing a valuation to negotiate a rent review with a tenant.

A tenant as:

A client instructing a valuation to negotiate a rent review with a landlord.

The valuers interviewed perceived that in many cases there was a range of values that could be allocated to a property and thus depending on the client's needs the valuer could value either at the top end or bottom end of this range. For example

"... if someone walks in the door and says I need a valuation, I've got to sell the property and I want you to make it the highest you possible can ... you can well come up with a different valuation figure than if ... a big banking client comes in and asks for a very conservative, realistic figure for say the fire sale of this property."

However, if the valuer is working for a purchaser:

"... they would want to know what the bottom ranges are, so they can go into bat..."

This is also true in a landlord or tenant scenario:

"... if you are acting for the lessee you will advocate the lower end of the range because you would say, why would a tenant want to go out into the market and pay more than this group of people are paying in that range .... The lessor's value on the other hand is saying, look there is a group of people up here who are paying a lot of money for their premises now".

The transcripts therefore indicate that the characteristics relating to the type of client may also reflect the purpose of the valuation and the requirements of the client as to whether they require a high or low valuation. The purpose of the valuation and concept of a range of defensible values are discussed later in this chapter. Another client characteristic observed by the respondents was the difference in behaviour of clients from different cultures and nationalities and also the effect of different personalities. These are discussed in the following sections.

6.4.2.11 Culture or nationality

The different culture or nationality of a client was also identified as a factor by the respondents as potentially affecting the way they perceive the value of a property and thus how they may try and influence the valuation outcome. For example:

"... they (Australians and Americans) are looking at it slightly different to the Asian market and this might affect the range of values because they are looking at it slightly differently."
Respondents also suggested that different nationalities may also require different valuation reporting methods:

"We would certainly for that type of client (Asian) put in more detailed depreciating replacement value approach and a cost estimate".

Nationality and culture was not perceived to only affect the perception of value of a property, but the interviews suggested that different nationalities would have different expectations regarding a range of issues including fees, for example:

"... but certainly instructions that come out of the East, from Hong Kong, Singapore, where there's Asian owners, yes you might find that those clients tend to be very tough on the fees as well as on expectation ..."

6.4.2.12 Personality
Finally, the personality of the client was identified by the valuers interviewed as affecting the way in which they interact with their valuer. They suggested that different types of interaction could in turn affect the amount of potential influence.

To summarise, this section has highlighted how the different characteristics of a client have the potential to affect the amount and type of influence they may place on the valuation process. These characteristics have been placed into a number of categories defined by the sophistication of the client, the type of client including a developer, the size of the client, the culture or nationality and the personality of the client. The way in which a client is remunerated may also be a factor in the amount of influence they can exert. As touched upon in this section and in particular when looking at the issues facing landlords and tenants and purchasers and sellers, the purpose of the valuation can affect the amount and type of pressure a client may place on a valuer. The next section discusses these issues in more detail.

6.4.3 The purpose of a valuation

The valuers interviewed all indicated how the "purpose of the valuation" would affect the approach to the valuation by both the valuer and the client (Appendix 6C):

*The intended purpose of the valuation as defined by the client, these can include mortgage, asset valuations, financing, or as a tool in the negotiation process between buyer and seller or lessor and lessee.*

A selection of comments illustrating this can be found in Appendix 6B 3.
A number of specific purposes were highlighted by the respondents as being particularly relevant and these will be discussed in detail throughout this section. These include valuations for the purpose of lending, asset valuations, leasing or rent reviews, sale and purchase and matrimonial.

In general, the valuers interviewed agreed that different values may exist for different purposes, for example:

"I always believe that the purpose of the valuation is very important and I suppose I believe that you can have different values for different purposes".

These different values come into effect because of the existence of a range of values for each property (see section 6.4.7). For example one valuer described this range as:

"...you know there's a range of rentals you can adopt here .... If you are dealing with the lessor ... they would want you to highlight the upper range ..."

"if you are working for a purchaser, they would want to know what the bottom ranges are..."

An interpretation of the transcripts also indicates that valuations undertaken for particular purposes may be more vulnerable to client influence than others. This applies in particular to valuations used to assist in negotiations between two parties, (rent reviews, purchase or sale, and matrimonial). In these circumstances valuers are commonly placed in the role of advocate and may not only be instructed to produce a valuation report, but also negotiate for an acceptable outcome on behalf of a client. For example if a valuer is being instructed by a potential purchaser:

"...they will want to know what the bottom ranges are, so they can go into bat and take off ... you would say "well here's a range of values my valuation would be this", but clearly you can go down to these levels".

A vendor however would inevitably be instructing a valuer to advise them of a figure at the upper end of the range and as described in the previous section this may be similar for a valuer working for a landlord where:

"... They'll want you to highlight the upper range.."

Valuers undertaking valuations for lending purposes are also often placed under pressure from their client to report a value as high as possible:

"they want to push it right to the absolute limit and that way their mortgage advance is that much higher".

These observations parallel those in the previous sections suggesting that the type of client and their financial position may affect the amount and type of influence they may bring to the valuation process.
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An analysis of the transcripts also suggests that a valuer when instructed to perform an asset valuation may feel under pressure to report a particular figure required by a client. For example, they described situations where they may be encouraged to keep the valuation on the low side:

"Portfolios are really the only situation when we are asked to bring them... down".

This can be explained because a fund may:

"...want to report every year that they've had nice growth every year into the future, they want their portfolio to keep going up, they don't want to have to put in their annual report, of we have had an unrealised valuation loss...."

As discussed previously the clients instructing asset valuations tend to be experts in the area of property and can use this expertise to influence a valuer. The submission of draft reports in this context tends to be a common practice as explained by one respondent:

"......in particular where reports are done for asset purposes we will normally prepare a draft report and then fire a copy down to the property asset manager."

These draft reports thus create an opportunity for the client to comment and ultimately influence the final valuation figure.

Generally the valuers believed that it is important for a valuer to be advised of the purpose of the valuation as it may affect the valuation outcome:

"I believe that the purpose of the valuation is very important and I suppose I believe that you can have different values for different purposes."

The valuers interviewed noted that as long as a valuer could support their valuation figure it was acceptable for them to value at the higher end or lower end of the range depending on the purpose and requirement of their client. However, if they produced valuation figures that could not be defended this was not acceptable and could result in them losing their registration or developing a reputation which could lead to the loss of recognition by banks.

In summary, the valuers interviewed indicated that the purpose of a valuation could affect the final valuation result. For valuations used for negotiation purposes a valuer may value at the higher or lower end of the range depending on the requirements of their client. Institutions will be able to influence asset valuations by the use of expert influence in the draft valuation stage. This influence may be used to encourage a valuer to report a conservative value to reflect a small annual growth each year.
6.4.4 The Valuation Process

As reported in the previous section, the respondents indicated that elements of the valuation process may provide opportunities to a client to influence the final valuation outcome. The agreed definition of the valuation process as set out in Appendix 6C is:

*The process that describes the sequence of steps and other factors affecting the different roles of the valuer, client and associated individuals in the completion of a valuation task.*

The valuers identified a number of key opportunities for a client to influence valuation outcomes. These include providing the client with a draft report for scrutiny, the existence of an independent party, the utilisation of valuer rotation, the peer review process, the required standards of reporting, quality control mechanisms, client instructions and the amount of time pressure a client may be under. Illustrative comments from each of these can be found in Appendix 6B.4.

6.4.4.1 Draft report

The prevalence of the submission of a draft report to the client for scrutiny was discussed by each of the respondents.

The draft report is described for the purpose of this study as:

*A report which is submitted to the client by the valuer for comment before the final version is signed off.*

The submission of such a report was perceived as a particularly common practice when a valuer is instructed to value property assets for institutional investors. For example one respondent explained.

"For certain purposes we prepare draft reports quite regularly. In particular where reports are done for asset purposes we would normally prepare a draft report and then fire a copy down to the property asset manager, just so they can have a final check of it to make sure there is nothing glaring, so if you like, a bit of an external check on it before it goes out as final..."

As this quote conveys, by having access to a draft report the client has the opportunity to influence the final valuation outcome. Valuers suggested that the submission of the draft report to their client allowed them to provide a positive contribution to the valuation process and an important external check on the accuracy of the report. The interviews suggest that valuers perceive these experienced clients as having the potential to add value to the valuation process in two main areas. Firstly, by highlighting any mistakes relating to the factual elements of the report, for example, the physical aspects of the building, valuation methodology and ensuring that there are no oversights. Secondly, the client may suggest more subjective changes to the report including perceptions as to the future of the building and where the valuation should sit within the range of values:
"I suppose the things that will come out (of the draft report) is the physical, or the correctness of descriptions to make sure that you may have missed something, or the physical correctness of a property, the expectation side of the report as far as the future comment, and I suppose the last one that you'll have in there is the weighting you have applied to the various methodologies...."

As outlined previously the transcripts also indicate that when instructed by a sophisticated client, their expertise has the potential to affect the final valuation outcome:

"..... from my work that goes out, maybe fifty percent of the job will get changed before they go out, not through errors or such but more through just having differences of opinion, you know just sitting down and debating the issues ..."

The submission of the draft report is therefore perceived by the valuers interviewed as having a number of positive effects, for example it allows the clients to check for any mistakes and omissions. It can also expose the more subjective elements of the valuation to be considered by the valuer. The draft report therefore provides a major opportunity for the client to influence the valuation outcome before the final report is produced.

6.4.4.2 Independent party

Another aspect of the valuation process that was perceived by valuers as affecting their valuation outcomes was the direct reporting to the client who also instructs the valuer. Some of the respondents suggested that it would be much "easier" for them if they could report to an independent party.

An independent party for the purpose of this study as set out in Appendix 6C has been described as:

A company or individual other than the client that the valuer reports to with the valuation report.

Data from the interviews indicate that valuers may in some cases feel pressured by a client to value a property at a certain figure, and thus by bringing in a third party to instruct them this pressure would be reduced. Mayhew and Pike (2004) suggested within the auditing process a transfer of power to hire and fire from clients to investors which they believe would significantly decrease the proportion of independence violations. A number of practices have been incorporated into the valuation process by clients and valuers in order to increase the independence and credibility of their valuations. These practices include valuer rotation, peer review, quality control and reporting standards. Each of these will be outlined in the following sections.

6.4.4.3 Valuer rotation

Valuer rotation was noted by the valuers as a practice commonly utilised by organisations in an attempt to reduce the possible influence of a client.
Valuer rotation for the purpose of this study and as set out in Appendix 6C has been described as:

A procedure whereby a valuer or valuation company is only permitted to value the same property or portfolio of properties for a limited number of consecutive years (typically 2 or 3).

The valuers interviewed tended to view the practice of valuer rotation as positive for a number of reasons. Firstly because mistakes are not compounded and unrealistic valuations not repeated, it gives integrity to the valuation process and brings a fresh view to the valuation on a regular basis:

"it means that you are getting a fresh view which is always healthy, secondly, if there happens to be a mistake it is not compounded, it is picked up..."

In addition to the practice of valuer rotation, the respondents indicated that a peer review process has also been introduced into the valuation process to reduce the likelihood of client influence. The next section summarises the responses relating to this process.

6.4.4.4 Peer review

For the purpose of this study the peer review process is described as:

Where a valuation is reviewed by an outside valuer or valuers for accuracy. Valuers involved in the peer review process may be employed by the valuation company from where the original valuer is an employee or from a valuer or valuers from an external organisation.

The transcripts indicate that a number of larger valuation practices have introduced peer review procedures to ensure that they are perceived by the market as professional and independent. The peer review system tends to take one of two forms, either in-house valuers commenting on a valuation or a valuer external to the company. In both cases respondents suggested that having another professional providing a check increased the objectivity of the valuation exercise and thus increased the credibility of the valuation. However some of the respondents were more supportive generally of the peer review process than others, for example one perceived it as an:

"... an excellent system now. We were a sort of a bit sceptical about it at first just thinking well these guys - their sole objective is to find mistakes in our valuations, but as it's turned out it hasn't worked out like that and it's actually been quite a constructive process."

In contrast, another respondent suggested that such procedures were not particularly effective as the peer review valuer would be under the same pressure from a client. He remarked therefore in his opinion:

"I can't see that it makes a damn bit of difference"
In general, however the valuers perceived the peer review process as positive and felt that if the valuer and the peer reviewer were able to reach a consensus then the client would be less likely to come back and say:

"well don't you think you should, you know, alter this or alter that to come up with the figure that they want."

Other quality control and reporting standards were also discussed by the respondents and can be found in the following section.

6.4.4.5 Quality control and reporting standards

The valuers interviewed remarked on a number of quality control and reporting measures that can affect the valuation process.

As set out in Appendix 6C, reporting standards are defined as:

*The standards of reporting required by an external body.*

And quality control as:

*The procedures employed within a valuation company in order to ensure that outgoing valuation reports are accurate and of a high quality.*

For example the implementation of ISO9002 by a valuation firm requires an internal peer review to be included in the valuation process. This peer review process is generally looked at favourably by the respondents:

"it just means that the client generally is going to get a report that's mistake free because you've got to get someone else to read it for grammar and spelling and that sort of thing and they're also going to get a figure that you know is .... error free...."

The effect of reporting standards for financial reporting purposes (SSAP 17) were specifically discussed by a number of respondents. These standards require that a pinpoint value rather than a range of values be reported for a property. The respondents suggest that this obligation may result in encouraging the valuer to pinpoint the value closer to the level required by their client. Clients' instructions and time pressure are the final two aspects of the valuation process that valuers highlighted as having the potential to affect client influence. These are now discussed.

6.4.4.6 Client instructions

The ability of the client to influence the reported value by way of their instructions has been discussed previously in the context of client pressure (see section 6.4.1). These instructions are also considered to be part of the valuation process.
6.4.4.7 Time pressure

The amount of time a valuer is given to carry out a valuation is the final factor that may affect the amount and type of influence a client can bring to bear on a valuer as part of the valuation process. It is defined for the purpose of this study as:

*The amount of time pressure a valuer is under in order to produce a completed valuation report.*

The more pressure a valuer feels under the more likely he/she will be influenced by the client. Although not included as a factor in the original framework, time pressure was referred to in the literature as having the potential to affect client influence. For example Sheth (1973) and Robinson, Faris and Wind (1967) in their models of organisational decision making incorporated time pressure within the construct of product characteristics. Kohli (1989) also included time pressure in his model investigating factors that affect an individual's influence in a buying centre. He found that influence strategies were moderated by members of a buying centre being pressured to make final decisions.

In summary, the procedural elements of the valuation process may affect the potential of a client to influence reported values. The interviews highlight that the ability of a client to comment on the draft valuation report may create a major opportunity for influence. Client instructions can also affect the way a valuer approaches a valuation including the use of specific methodology. Reporting standards requiring a valuer to specify a pinpoint value could also be a contributing factor. The potential for client influence can also be increased if the valuer is placed under substantial time pressure. Quality control measures such as valuer rotation and the peer review process provide the valuer with confidence with their valuation figure and reduce the opportunity for influence. Reporting standards and quality control measures may also be a factor in affecting the amount of potential client influence.

In addition to the valuation process a number of individual valuer characteristics may also affect the potential for a client to influence valuation outcomes. These are discussed in more depth in the following section.

6.4.5 Valuer characteristics

The individual characteristics of each valuer were perceived by respondents as having the potential to affect valuation outcomes.

Valuer characteristics for the purpose of this study are described as:

*The individual qualities possessed by a valuer, include integrity, perception of their role specialisation, experience, age, personality and remuneration method.*

Appendix 6B 5 sets out each of these characteristics with illustrative comments. The following sections discuss each individual characteristic in more detail.
6.4.5.1 Valuer integrity

All respondents spoke at length about the importance of valuer integrity.

For the purpose of this study valuer integrity is defined as:

The integrity of a valuer in the reporting of valuation figures that they believe are truly representative of the market.

An interpretation of the transcripts highlighted a number of situations where a valuer may be placed under pressure to report values that cannot be defended. Valuers openly state that they may be tempted to go beyond "where you would normally go" but that the main weapon they have to fight against this pressure is that of integrity and honesty, as one valuer explained:

"... we have to turn around and say we are not going that high or not going that low for whatever reason and we lose work because of it, but at the end of the day we've got to maintain our integrity and so in those situations you do get put under a lot of pressure..."

The interviewees did suggest that a small percentage of valuers in practice were renowned for reporting figures outside the defensible range, when pressured to do so. One respondent described such a valuer by saying:

"... he can't be valuing a property according to the standards and he's out there and ... you know if there's one there's got to be two. Now I'd say that you know in the scheme of things there'd only be a couple percent of valuers who are like that, but you know, there are people out there who do that."

Another respondent explained that these tend to be the valuers that:

"really just want to make quick money".

The transcripts further indicate that different valuers have different limits and some will go further than others "in terms of how high they'd go". The main issue for valuers as for many professional service providers is the dilemma they face in terms of satisfying their clients' requirements and balancing these in terms of their own ethics. When discussing this, one valuer described a situation in which there was a difference of opinion between a valuer and client:

"... and it is a question of how far you can move and still remain comfortable .... at the end of the day you, everybody's got their limit and you go as far as you can."

Respondents also reported instances where a refusal to increase a reported figure has resulted in them losing a client or not being paid for a job:
".... at the end of the day we've got to maintain our integrity and so in those situations you do get put under a lot of pressure".

An analysis of the transcripts suggest that valuers employed by firms that have reputations for being unethical are more likely to end up adopting unethical procedures and in addition this, one respondent suggested:

"as a valuer gets older, the valuer normally becomes more entrenched in views and is more susceptible to being put on the wrong track."

Ultimately, a primary incentive for a valuer to act in an ethical manner is the potential to attract work from clients such as institutional investors and banks. These organisations will not instruct valuers to carry out work unless they have a high level of credibility in the market place. One respondent summarised this as follows:

"... to be a valuer of any standing that wants to get repeat work, they've got to have credibility, then you observe the normal commercial rules of confidentiality and impartiality and ensuring you don't reach or have conflicts of interest and that sort of mess, that's very important..."

The valuer responses thus suggest that the integrity of the valuer acts as a major safeguard in moderating the potential effects of client influence on reported values. Another valuer characteristic identified from the analysis of the transcripts is the way a valuer perceives their role, this is discussed in the following section.

6.4.5.2 A valuer's perceived role

A valuer's perceived role was discussed by a number of the respondents, as set out in Appendix 6C for the purposes of this study this was described as:

How a valuer perceives their role, this could include the belief that they are independent of the client or that they are there to act as a client advocate.

The perception as to whether the valuer sees his/her role as an advocate or an independent adviser of a client is a factor that may affect their ability to be influenced by a client. The term advocacy had different connotations for different valuers. One respondent believed that it was inappropriate for a valuer to act as an advocate. They described advocacy as the situation:

".... When you start to argue the client's point of view rather than the value that relates to the clients point of view..."

Other respondents however considered advocacy as not only acceptable but inevitable in specific situations such as rent review negotiations. They did emphasise however that even in these types of negotiations the valuer must be in a position to substantiate his/her figure with market evidence. The
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respondents did not consider advocacy appropriate when the purpose of the valuation included determining the market value for statutory purposes.

"... you can have landlord's valuers and tenant's valuers and you get some valuers who specialise on the tenant's side and some who tend to specialise on the landlord's side. I agree with that sort of advocacy, because it is a process that seems to work and you end up ... in the end a middle of the line figure anyway, so I can, I believe that advocating for a client is possible in that arena. But not when it comes to the market value for statutory purposes..."

In addition to their perceived role, the amount and type of experience of a valuer was also a theme that emerged from the transcripts as a factor affecting the amount of potential client influence, this is discussed in the following section.

6.4.5.3 Amount and type of experience

An analysis of the interviews suggests that previous valuation experience may affect the way a valuer values a property. For the purpose of this study valuer expertise and experience was defined as:

The amount of experience a valuer may have in the valuing for specific types of client, valuing specific property types and specific market sectors.

For example valuers who have only been instructed by landlords or lessors will tend to value properties higher and may not have such a balanced outlook as valuers who have had the opportunity of acting for both landlords and tenants.

"well if they have always dealt for the vendors or you know one sector of the market, if they have always worked for lessors in rental determinations, they have always heard one side of the argument, as much as they can probably say they can be balanced ... if you have had experience on both sides of the fence your appreciation of what is market value I'd say would be better and there are valuers out there who have camped themselves on either side."

As a result of this, it is inevitable that valuers will tend to develop reputations for different specialities. Clients may then seek out certain valuers with the specific experience and views that they are looking for, for example banks will tend to seek out valuers who have experience in working for banks and these valuers will tend to produce more conservative valuations for them.

"... and the market does ensure you practice somewhat based on ... how you have built and how you have got a known reputation and a name, you've got some valuers that do a lot of work for banks and are known to be quite conservative ...."

A concern that respondents raised regarding the type and amount of a valuer's experience was where valuers are tempted to take instructions in areas they are not qualified in. Any valuer enticed into
accepting such instructions could place their reputation at risk and be prone to valuing a building at a figure required by the client. The valuers interviewed also suggested that experienced valuers have less chance in getting themselves into trouble, but may be more flexible within the range of defensible values than less experienced valuers who may compensate for their lack of experience by working closer to "the textbook". Another factor closely related to the amount and type of experience of a valuer is a valuer's age which is outlined in the next section.

6.4.5.4 Age
In addition to experience, the age of a valuer may also affect how they undertake valuations and how much a client can influence their reported value. Not surprisingly, the interviews suggest that older valuers have similar attributes to more experienced valuers. These similarities suggest that an older valuer may be more entrenched in their views, but also more experienced in defending their valuation outcomes.

The interviews also highlight that younger valuers may feel they need to prove themselves and therefore work harder, for example as one valuer suggested:

"I guess off the record, the younger people are prepared to work that much harder and strive to do a better job, whereas older guys, I think now are tending, some of them now are getting well over their fifties, and getting towards retirement and you know just sort of want to get the work out and that sort of thing..."

There was also a perception that younger valuers are more rigorous in their calculations, they tend to produce longer more in-depth reports and spend more time getting the best evidence. They also tend to be more comfortable with a variety of different methodologies including the use of discounted cash flows. Other valuer characteristics were also identified by the respondents as affecting their ability to be influenced. These characteristics include whether a valuer tends to be optimistic or pessimistic in their calculations, their personality and their remuneration method. Each of these will be discussed in the following sections.

6.4.5.5 Optimistic versus pessimistic valuers
The existence of "optimistic and pessimistic" valuers was noted by all respondents. They suggested that because of the range of values that could be reported for an individual property a pessimistic valuer would tend to report on the lower side of that range and the optimistic valuer the upper end of the range.

"... there is a range of values you can determine at any time for a property, its position within that range that you come up with your value, whether you are optimistic or pessimistic..."
The type of clients attracted to a specific valuation company or valuer may be determined by the market perception of whether they tend to report at the higher or lower end of the range of market values. There was evidence that some valuers may not perceive themselves as optimistic or pessimistic but may have gained a reputation from the market:

"... we had a reputation for being conservative. Now that makes no sense at all, we are not conservative, if anything there are many occasions when we have probably over valued in the market, but that is the reputation we have got, we have been told many times "we wanted to go to a conservative valuer because we really want to know where the bottom line is."

Respondents indicated that developers may be attracted to valuers that report values at the higher end of the range, and banks attracted to valuers who report more conservatively:

"... they're meeting the banks needs and they're happy with that and that's how they call it and they see it, and then you have got other valuers which you know might have a reputation for being a bit more optimistic."

6.4.5.6 Valuer remuneration method

The valuers interviewed also suggested that the way a valuer is remunerated may affect if and how much he/she may be influenced by a client.

For the purpose of this study valuer remuneration is described as:

The method in which a valuer is remunerated, this may be by way of a salary, commission or performance.

The main issue highlighted by respondents is the effect on valuer behaviour of salary versus commission based remuneration:

"All big firms are salaried, we're all salaried .... but I guess for a commission-based valuer you'd be more prepared to maybe go the extra step that someone else wouldn't be prepared to go just because, I mean I get paid no matter what. If I turned work away then I still get the same amount of money every week, whereas if you're on commission you might be saying I haven't done that much this month I'd better do this..."

This tends to suggest that a valuer may be more prone to influence if paid on a commission only basis. However, as one valuer clearly pointed out:

"... you will get individuals who, even if they're on a straight commission basis will be very ... ethical .... You know, wouldn't change their view-point regardless of whether they are commissioned or whether they are salary driven..."
The interviews also noted that back in the 1980s valuers were paid fees based on performance and would only get paid if a client agreed with their valuation outcome. This prospect of earning a fee to please a client resulted in a valuer being most vulnerable to client influence:

"to go beyond where you would normally go...".

Personality is the final valuer characteristics identified by respondents as having the potential to affect valuation outcomes, this will be discussed in the next paragraph.

6.4.5.7 Personality
The specific effects of personality traits were not discussed at any length in the interviews but as one respondent explained the impact of individual personalities could:

"... have an amazing effect as to how you make a recommendation".

In summary, an analysis of the interview transcripts suggest that different valuer characteristics may affect the amount and type of client influence. These characteristics include the integrity of a valuer, the perception of their role, their previous experience, age, their personality and how they are remunerated. The next section of the study examines the characteristics of the valuation firm which is another category affecting client influence.

6.4.6 Characteristics of the valuation firm
As set out previously the characteristics of the valuation firm employing a valuer can affect the potential impact of client influence. Respondents identified four aspects of the valuation firm to be pertinent in this context. These are the size of the firm, the type of work carried out by the company, such as real estate agency and property management, the firm's environment and other specific form traits. Appendix 6B 6 sets out a number of illustrative comments from the respondents interviewed.

6.4.6.1 The size of the firm
The size of the firm in the context of this study relates to:

The description of the size of the valuation firm in terms of the number of employees.

Respondents noted a number of areas where the size of the valuation firm employing the valuer undertaking the valuation may affect his/her susceptibility to client influence. The first of these relates to the income potential of the individual valuer. In a small firm, especially when there is a downturn in the market, a valuer may be faced with the prospect of a limited income. This situation may result in a valuer feeling under pressure to please their client and this could result in the client wielding increased "undue influence" of a client over a valuer. The valuers interviewed, noted that valuers working:

"in smaller firms, especially in the area of residential valuations may be more prone to client influence".

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There were also suggestions that in smaller firms, valuers tend to work more as individuals rather than on behalf of the company. This situation often results in the valuer not working in an environment where they can rely on as much support from colleagues as they might receive when working for larger companies. This lack of support may increase the opportunity for clients to influence a valuer to report their preferred value. In multidisciplinary companies the support from colleagues will not be limited to valuers but may include other property professionals such as agents and managers. The effect of this type of company will be discussed in the following section.

6.4.6.2 Multidisciplinary companies

A multidisciplinary company can be described for the purpose of this study as:

A professional property service provider that offers services in a number of areas including real estate agency, property management, valuation and consultancy.

Respondents highlighted the tendency for valuers employed by multidisciplinary companies to work within a team environment and produce "corporate" valuations. This team environment allows valuers who are feeling under pressure from a client to alter valuation to discuss the valuation "around the office" in order to ensure that the reported valuation figure is an accurate reflection of the market value.

The valuers interviewed also suggested that valuers working within multidisciplinary companies have the advantage of discussing their valuations with real estate agents and other property professionals thus allowing input from a number of different perspectives. In addition to this they also may have the advantage of receiving:

"information before it hits the market" and "getting transaction information before it hits the market, even knowing a property that they've got listed, how many people they've had interested".

This information may provide the valuer with up-to-date evidence and thus give them more confidence to argue their case to their client. Access to such market data may also provide them with information to assist them valuing a property more in line with their client's expectations. The team environment does not only exist in multidisciplinary organisations, but may also be a factor that has the potential to affect client influence in other types of organisations. This is explained in the following section.

6.4.6.3 Team environment

The agreed definition for team environment for the purpose of this study describes whether:

The company in which the valuer is employed encourages employees to work in a team or individualistic environment.
As already alluded to in this study, the existence of a team environment within a company enables the valuer to obtain an alternative perspective to their valuation and second opinion. Valuers working for companies that do not possess this team approach tend to work in isolation and thus could be a lot more susceptible to a client pressure.

6.4.6.4 Other

Two other areas relating to a firm's characteristics highlighted by the respondents were the integrity and the reputation of the firm and the training and monitoring of valuers within the company. Respondents did suggest that valuation firms do operate that:

"...don't give a monkey's how you generate your fees, you just generate your fees because we're out there to make money".

Therefore there is a strong chance that if a valuer goes to work for a firm with such a questionable reputation then:

"...there is a reasonable likelihood that that person will actually end up adopting that procedure".

The respondents considered that the training and monitoring of valuers within companies may vary and the rigour of this process can potentially affect the ability of a client to influence a valuer. Some companies insist on such procedures as a check list which needs to be completed to ensure a robust process. Whereas one respondent pointed out that:

"...I know some of my contemporaries went through and ... the way they were monitored were not as rigid and they just used to fly along, so I knew that working for Company A ... we tended to be ... grilled a bit more in what we were doing and were required to justify the work we were producing on a daily basis ...

In summary, an analysis of the transcripts suggests that the respondents consider that the valuation firms in which a valuer is employed may affect the integrity of the valuer and also the robustness of their valuations. This in turn may affect the ability of a client to influence their valuations. Valuers employed by larger firms tend to work more in a team environment where the valuer has the opportunity to have their valuations checked by other valuers. This support structure may therefore result in them having more confidence in their work and thus more confidence in deflecting client influence. Multidisciplinary valuation practices usually comprise larger companies where the valuer has the ability to obtain feedback not only from other valuers but also from other property professionals. They may also have access to information which is not yet circulating in the market. The integrity of the firm together with the training and monitoring of values may also reduce the amount of influence a client may place on valuation outcomes.
The next group of factors that were perceived by respondents as having the ability to affect valuation outcome relate to issues surrounding the valuation itself. These are now discussed in further detail in the following section.

6.4.7 Technical valuation issues

The valuers interviewed identified a number of technical valuation issues as important factors having the potential to affect the amount of influence a client can place over a valuer. These issues included the methodology used when carrying out a valuation, the standards and thoroughness of a valuation, the possible range of values for a property, the previous valuation of a property, the type of building and how this relates to the complexity of a valuation, knowledge of the contract price of a property, the definition of market value, time pressure that a valuer may be placed under and subjectivity issues. Each of these is now discussed, illustrative comments from the respondents relating to these issues can be found in Appendix 6B 7.

6.4.7.1 Valuation methodology

The valuers interviewed indicated that the use of different valuation methodologies may result in different valuation outcomes.

For the purpose of this study the term valuation methodology has been defined as:

The methodology utilised by the valuer in the valuation report, for example the use of discounted cash flows and capitalisation rates.

If a client instructs a valuer to use a variety of methodologies in their calculations the results for each will tend to differ possibly resulting in a range of values. This range opens up the potential for the client to then place pressure on the valuer to report a specific figure preferred by the client.

Given that different methodologies can result in different reported values, if a client instructs a valuer to use a certain methodology it could be argued that they are influencing the valuation outcome.

Respondents also highlighted that clients of different nationalities tend to require a valuer to place emphasis on different valuation approaches, which will often result in different values:

"... they (Australians and Americans) are looking at it slightly differently to the Asian market and this might affect the range of values because they are looking at the property slightly differently."

whereas

"Asians were buying as a relationship between current yield and cost and DCF was not such a relevant methodology".
In addition to these situations, institutional investors and financiers, tend to require a discounted cash flow analysis. If a valuer does not have the ability or expertise to utilise the specific approach required by a client then the client may choose to instruct an alternative valuer, for example one respondent stated that

"... we just recently picked up a portfolio, because the incumbent valuer wasn't doing DCF's and wasn't probably capable of doing DCF's."

The valuation methodology was the first of the individual factors relating to specific valuation issues identified in the transcripts. The next relates to the effect of the standard and thoroughness of a valuation report on potential client influence.

6.4.7.2 Standard and thoroughness
The valuers interviewed, indicated that the standard and thoroughness of the valuation process may affect the amount of potential client influence.

The standard and thoroughness can be defined as:

*The standard of the valuation report including the accuracy of the valuation and quality of the reporting.*

The respondents suggested that the standard of valuations can vary greatly from valuer to valuer. For example:

"... there are valuers who search out information and that's enough for them. There are others who would be very thorough in their research to come up with an answer."

The interviewees also advise of valuers who only include one methodology whereas there are others that will assess a range of methods before reporting to their clients. It is argued that the more thorough a valuer is with their valuation research and reporting the less likely the client will be able to question their approach and consequently may find it harder to influence the valuation outcome.

The client's role in assisting a valuer to produce an accurate and high quality report was also evident from the interview responses. Valuers are dependent on the client for a substantial amount of information. Therefore, if a valuer is unable to gather this information from the client the quality and reliability of a valuation may be affected. For example if a valuer is supplied with "shoddy information" by their client they are unable to guarantee the accuracy of a valuation. This may result in the inclusion of a number of disclaimers and can impact on the accuracy of the valuation and the value of a property. If a client is able to supply good quality information there is a tendency for that to reflect positively on the final valuation outcome.
The range of defensible values was discussed by all respondents and, as already outlined, this concept has major implications for a valuer. The next section discusses this in more detail.

6.4.7.3 Range of values
Respondents noted that the existence of a range of defensible values for any individual property was a major factor in creating the opportunity for clients to influence valuation outcomes.

The range of values in the context of this study was defined as:

*The range of values that a valuer can successfully defend as being an accurate reflection of market value.*

The valuers interviewed for this study all expressed a belief that valuation is not an exact science and a range of estimated market values exists for any one property. One valuer suggested that if:

"you got ten people ... you ask them for a point figure but also ask them for a range ... there is going to be some common ground ... the extremes might be plus or minus 20%".

This range represents the band of values that valuers consider capable of being supported by available market evidence and thus defended in court. This range they believe to be backed up English case law relating to a margin of error of 10%. Respondents all indicated that if there was an option they would prefer to report a range of values rather than a pinpoint estimate. However, there are situations where this is not possible. For example:

"some clients want to use the valuation report to negotiate, they don't like a range for that purpose ..."

Opinion as to the size of this range varied from 5% to 40% depending on the individual property and market conditions. All respondents believed that the courts acknowledged a margin of error of between 5 and 10% and if they valued between these figures then there would be no case to answer. They did suggest that such a range of values, could however be much wider depending on the characteristics of the property being valued and market conditions.

Respondents perceived that the existence of a range of values may result in a client being placed in a position to influence reported values. This opportunity is enhanced as most valuers see themselves as supplying a professional service to their client and, as one respondent explained:

"... you don't want to annoy your clients for the sake of moving within the grey area, I mean you're prepared to move ... to an extent if there is a valid reason of course".

According to the valuers interviewed, it is not unusual for a valuer to be asked to modify a valuation report to incorporate a higher or lower figure. For example, if working for a lessee, a valuer may be
encouraged to report a lower value and for a seller the valuer may be encouraged to be more bullish. As long as the valuer revises his/her figure within the range of defensible values, then the valuers interviewed considered this to be as an acceptable practice. If, however, a valuer moves outside this band, then agreeing to such an adjustment is no longer regarded as acceptable, 

"... you'd be prepared to move within a band and it gets pretty clear when you get outside that band, nothing stacks up with the evidence; I mean you can reach a point of no return".

Respondents all agreed that in order to attract and maintain clients it is crucial for valuers and valuation firms not to prejudice themselves by reporting unsupportable values. There was evidence to suggest, however, that a small number of practitioners are prepared to expose themselves professionally, specifically by providing valuations at levels that meet the client's request. The concept of a range of values in the valuation process can potentially affect the amount of influence a client can have on valuation outcomes. Respondents also highlighted the possible effect of previous valuations undertaken on a property. This will be discussed in the following section.

6.4.7.4 Previous valuations

Interpretation of the interview data suggests that a previous valuation carried out on a property will most certainly affect a subsequent valuation.

In the context of this study as set out in Appendix 6C a previous valuation is:

A valuation of a building that has previously been valued by the same valuer now undertaking a subsequent valuation.

The effect of valuing the same property previously is particularly evident when a valuer is instructed to revalue a property for the same client and they do not wish to report a great reduction in the valuation figure. This was clearly explained by one respondent:

"... you are (influenced by a valuation that you have done previously), I mean it would be pretty embarrassing if you came up with a figure and went back to the client and said well we are going to have to drop it say by $10M because we think we were a bit keen last year...".

Asset valuations carried out for institutions were perceived by respondents as being particularly susceptible to the influence of a previous valuation. The respondents suggest that this is because of the expectations of the client to keep valuations rising steadily from year to year.

"... you know in some institutions they like to keep the values reasonably static or slightly climbing but they don't like a variation between valuations."

Interviewees discussed the inherent risk when revaluing a property of uncovering of previous mistakes resulting in a valuer having to explain themselves to their client:
"the risk ... in revaluing is that you identify that you made a mistake last time potentially, you know you missed something and you may feel the need to cover that, but I mean at the end of the day it depends on how transparent you are in your report writing."

The respondents also identified another potential problem when a valuer is instructed to revalue the same property but for a different client who has quite different expectations:

"you do it ... for a client who asks you to be tremendously bullish and then the next month another client comes to you and says they want to be bearish and find all sorts of faults ... ..., two reports with very different figures, so yes it is very difficult."

The data therefore indicates that the valuers interviewed are aware that knowledge of a previous valuation undertaken on a property may affect subsequent valuation, especially if a client's requirements include a steady increase in value each year. These results support the findings of Havard (2001a). The respondents also highlighted another area of potential influence relating to the complexity of a valuation. This effect is discussed in the following section.

6.4.7.5 The complexity of a valuation

As outlined in the literature review the complexity of a valuation and the type of building valued can affect the amount of influence a client can exert on a valuer (Rushmore, 1993). There is evidence that complex valuations create more opportunities for client influence than those that are simple and straightforward. The respondents identified two potential areas for clients to influence complex valuations. Firstly, where a client supplies information to the valuer they have the opportunity to exert information power.

"... the larger more complex valuations, very often the client has to supply quite a bit of information or it will come through the property manager so there may be quite a few figures you are reliant on..."

Secondly, the more complex a valuation the more decisions need to be made on a variety of the different elements which increases the opportunity of a client to use expert power. For example even in a relatively simple valuation of a standard warehouse building one respondent explained that:

"you've then got differences of opinion on whether the profile of the building is important or the stud height or factors outside of purely the income that are going to impact on the building ...."

The client therefore has the opportunity to question and influence each of the many separate decisions required to finalise the valuation report. These opportunities may increase when such methodologies as discounted cash-flow analysis is utilised which require decisions on many aspects
including discount rates and future rents. Respondents did indicate however, that this influence may be tempered where plenty of comparable evidence exists, for example:

"even for complex valuation there may be little opportunity for negotiation and thus little opportunity for influence".

In addition to this the valuers interviewed also discussed the knowledge of the contract price to valuation outcomes. This is outlined in the following section.

6.4.7.6 Contract price

Respondents indicated that knowledge of the contract price on a property being valued may affect the outcome of a valuation. One valuer explained a typical situation as follows:

"To a degree, yes (does the contract price influence you). I mean although we’ve caused plenty of deals to fall over because we haven’t come up with the figure that they’re paying, I mean if it’s wildly wrong then we’ve got an obligation ... but if you’re sort of within that margin, then you do tend to work towards that figure."

This observation reflects the findings of behavioural property researchers who have demonstrated that knowledge of various prices related to a property can affect final value judgements, (see for example Gallimore and Wolverton, 1997; Diaz and Hansz, 2001; Cypher and Hansz, 2003). Whether a client decides to divulge the contract price figure therefore has the potential to influence the valuation outcome. The respondents did not all agree as to the appropriateness of a valuer having knowledge of the contact price. For example, some valuers believed it to be unethical to ask for the contract price whereas others considered it to be negligent not to enquire. The quotes below demonstrate some of these conflicting perceptions:

"I don’t ask unless it’s given to me (the contract price). Some people say look we’re paying this, you know or even give us a copy of the sale and purchase agreement, whatever, can you do a valuation for us, but if they don’t offer that information. I don’t ask".

Conversely another respondent stated:

"I believe you should know what the contract price is .... because it’s clearly information that is in the market...".

One valuer interviewed believed that both these views may be appropriate and therefore advised that what he says to clients is that:

"...I have to ask you this but you don’t need to answer, you don’t need to tell me and I put it in the report if they don’t tell me..."
In addition to the factors relating to the valuation process already outlined, three others were highlighted by the respondents and are discussed in the following sections. The first of these relates to the difficulty valuers have in defining the term market value. The second relates to the effect of subjectivity and opinion in the valuation process; and finally, issues surrounding time pressure are considered.

6.4.7.7 Definition of the term market value
From an interpretation of the interview transcripts it was clear that the respondents differed in their understanding of the term market value, one respondent suggested that market value is:

"the highest price that you would expect the property to go on sale".

Another defined it as being, what you:

"would expect a willing purchaser to pay" and "what a willing seller would sell for".

And a third respondent advised that he would put himself:

"in the client's shoes, if I say I was buying this property what would I pay for it based on the information in front of me."

This variety of definitions emphasises the subjective element associated with the valuation of property. In addition to the specific term "market value" valuers also discussed difficulties in clearly defining such concepts as the appropriate marketing period, a willing buyer and a willing seller.

One respondent suggested that problems with clearly defining these concepts led to uncertainty and the culmination of the notion of a range of values. As discussed previously this uncertainty and difficulty provides opportunities for a client to influence the final valuation figure to their advantage. Non-economic factors were also perceived by the respondents as being an influencing factor in understanding what should be taken into account when valuing a property at "market value", for example, one valuer suggested that:

"... the comments that we've been getting in the market place that it's not a good time to buy property"

would affect the value of a property. Again, the subjectivity surrounding the term market value creates an opportunity for a client to provide evidence to the valuer that the market is rising or falling. The valuer may incorporate this into the final valuation figure.

6.4.7.8 Subjectivity and opinion
As previously discussed the valuation process, by its nature, includes an element of subjectivity and personal opinion. It is generally a complex process and a valuer must decide where to value a
property within a range of values. Therefore, depending on a variety of factors, valuers may be encouraged by the client to value a property at the upper or lower end of this range of values:

"... these are sometimes quite complex tasks and there is a lot of variation and opinion used in those and they come under a lot of scrutiny from a lot of people".

One respondent illustrated how the opinion of market participants can affect the market value of a property. He described the valuation process of a residential property with views in Wellington. He explained that there were a number of potential purchasers prepared to pay a premium for a view. However there is also a sector of the market that sees a view as creating a building:

"exposed to both northerly and southerly gales... and say "we're going to be blown to hell".

These potential purchasers would thus make a deduction for such a position. For more complex properties or where the market does not provide adequate comparables the valuer is required to take account of a number of conflicting opinions as to the value of a property. This may inevitably result in a greater range of values and more opportunity for client influence.

6.4.7.9 Time pressure

Finally the interviews identified time pressure that a valuer may be under to complete the valuation report as another potential factor affecting the ability of the client to influence valuation outcomes. Generally valuers acknowledge that it is not appropriate to accept a valuation assignment that places undue time pressures upon them. One valuer stated that

"we don't take on a work if the time pressure's unrealistic".

Time pressures can increase the chance of mistakes and the necessity of accepting information from the client that is not appropriately researched. This can lead to situations where valuers:

"... do not challenge the client we are too busy getting the job done...... the reality is clients should be cross examined a hell of a lot more closely than they are...".

Too much time pressure on a valuer may therefore encourage them to take short cuts and accept the information provided by the client without adequate checks in place. This may result in the valuer taking at face value client information which is being used by the client to influence a valuer to report a preferred valuation figure.

In summary, the valuers interviewed, highlighted a number of factors within the general area of technical valuation issues that they believe may expose a valuer to client influence. These include the choice of methodology utilised as part of the valuation process and the preferences of their client. The standard and thoroughness of the valuation may also affect opportunity for client influence. The valuers also explained that the existence of a range of defensible values may permit a valuer to satisfy
their client by valuing at the top or bottom of this range. Previous valuations undertaken on an individual property were also cited as potentially affecting a subsequent valuation especially if instructed by the same client. In general terms, the more complex a valuation, the more the opportunity exists for client influence; this may manifest itself in the client having to provide information. More complex valuations also require the valuer to use more opinion in order to calculate the final valuation figure. Other valuation issues potentially affecting the potential for client influence are the knowledge of the contract price, the definition of market as understood by the valuer and the general areas of opinion and subjectivity. The amount of time pressure a valuer is placed under to complete a valuation was also identified by the respondents as affecting potential influence.

6.4.8 Client Relationship

As discussed previously in the literature review the quality of any professional service relies on the actions of both the service provider and client and their interaction (White and Johnson, 1998). It is not surprising therefore that the relationship between the client and valuer was cited by all respondents as affecting the amount of influence a client can place over a valuation outcome. Three main areas were identified within the relationship. First, that of trust between the valuer and the client. Secondly, the respect the client has for the valuer. And finally, the type and length of the relationship between the two parties. Illustrative comments relating to these can be found in Appendix 6B.8.

For the purpose of this study the client relationship is defined as:

*The relationship between the client and the valuer and includes such factors as trust, respect and type and length of the relationship.*

6.4.8.1 Trust

The interviews suggest that if valuers have a trusting relationship with a client then they are more likely to have confidence in the accuracy of the information supplied to them. This trust may therefore expose the valuer to an increased risk of client influence. The trust the valuer has for the client may also affect the way a valuer is prepared to accept instructions. In a more trusting relationship, instructions may be looser and more informal and more of a "gentleman’s agreement" may exist. Associated with the trust between valuer and client is the respect they have for each other which is discussed below.

6.4.8.2 Respect

Respect between a valuer and client is critical to the valuation process. Respondents explained that it was important to gain the respect of the client. They indicated that this respect had could be earned by standing your ground:

"you’ve got to be strong with them and then they start to respect you..."

and also by providing the client with professional, well researched valuations:
"... Once you’ve provided ... quality work for them and they know that you ... know what you are talking about in that situation then work will start coming back ... but initially ... you’ve really got to prove yourself with them..."

The valuers interviewed also highlighted that the more respect the client has for the valuer the less likely it is that they will try and force a valuation outcome. As with trust, the more respect a valuer has for a client, the more readily they will be prepared to accept their information and trust their opinion. Trust and respect can be built up over time and thus, in addition to these factors the type and length of the client valuer relationship is also a factor that should be taken into account when considering the potential for client influence.

6.4.8.3 Type and length of the client valuer relationship

Trust and respect also relate to the type and length of relationship between the valuer and the client. In instances where a valuer has maintained no relationship with a client then the client is “fairly immaterial” to the valuation process and will generally be less able to affect the valuation outcome. However, the more a valuer deals with a client, the more likely they will tend “to be open to what they have suggested”. There was a general consensus that even if the client and valuer have a long standing relationship it is essential that it be

"at arm’s length and if you break that rule you are going to be in real trouble."

In summary, not surprisingly the valuer transcripts indicate that certain factors relating to the relationship between the client and the valuer may affect the potential for client influence. These factors include the amount of trust and respect between the parties and also the length and type of relationship. In addition to these factors the respondents also highlighted a number of external factors that should be considered when looking at the potential for client influence; these factors are discussed in the following section.

6.4.9 External pressures

The final set of factors highlighted by the valuers interviewed has been categorised under the heading of “external pressures”. These pressures include the regulatory framework guiding valuation practice, the reputation or market credibility of both the valuer and client, case law, financial reporting standards and finally market conditions. Illustrative comments relating to these can be found in Appendix 6B 9.

The definition of the term external pressures as set out in Appendix 6C is:

The pressures outside the control of the client or valuer and include such factors as the regulatory framework, market credibility, the pressure from an independent party, financial reporting standards and market conditions.
6.4.9.1 Regulatory framework
When discussing factors relating to the regulatory framework, the valuers interviewed tended to talk generally about the responsibilities and ethics of the profession and their impact on the valuation process.

"...I think certainly registered valuers, members of the NZIV would be aware that it is against the ethics of the profession..."

In addition to the effect of adhering to the regulations of the NZIV, valuers also felt that that any valuer's behaviour would take into account the possibility of giving evidence in court.

"...you can't lose sight of the fact that you could end up in a witness box..."

In addition to the regulatory framework governing the profession, the respondents also noted the effect of case law and financial reporting standards which are outlined in the next two sections.

6.4.9.2 Case law
Another external factor highlighted by respondents was the influence of case law, in particular respondents were aware of cases relating to the margin of error of valuation outcomes:

"... but basically the leading English cases talk about a margin of error of 10%, the Singer and Friedlander up to 15% in exceptional circumstances..."

There was a suggestion that valuers may feel comfortable producing valuation figures to satisfy their clients as long as the reported figure does not stray outside the 10% range from the "correct figure".

6.4.9.3 Financial reporting standards
An analysis of the transcripts suggested that another external pressure with the potential to affect valuer behaviour when producing valuation reports was financial reporting standards. Respondents indicated that certain reporting standards may place unrealistic expectations on a valuer. For example, valuation standards for financial reporting under SSAP 17 require valuers to place a pin point value on a property. This may prove difficult for a valuer and may conflict with a valuer's judgement where they consider a range of values to be a more accurate reflection of value.

In addition to regulations, case law and reporting standards, the respondents also confirmed the importance for a valuer of maintaining market credibility. This is considered in the following section.

6.4.9.4 Market credibility
An analysis of the transcripts emphasises that the importance of maintaining credibility in the market place was important to valuers and clients. For a valuer a good reputation in the market increases the potential for receiving instructions from major clients:

"... provided they retain that information they will continue to get in work from clients because clients will seek them out ..."
In addition to this, clients may wish only to instruct valuers with a good reputation. This will in turn increase their own market credibility and perceived trustworthiness. For example, a developer will need to obtain a valuation acceptable to a financier and will thus be encouraged to instruct a valuer with a good reputation and market credibility.

The interviews also suggest that sophisticated clients, in order to maintain credibility in the market, may encourage a valuer to produce a conservative valuation report that is able to stand up to the severe scrutiny of shareholders, analysts and other players in the market.

"Downward pressure ... does actually occur where it happens more with the sophisticated clients whereby they know that they're going to get analysed to death."

In addition to market credibility, the respondents also maintained that market conditions could affect potential client influence. This is outlined in the following section.

6.4.9.5 Market conditions

Market conditions were the final external pressure acknowledged by the respondents. The valuers interviewed identified two specific types of relevant market conditions. The first of these was the competition within the valuation market itself and secondly market conditions pertaining to the property market.

In a competitive valuation market, the valuers suggest that certain valuers may find it difficult to obtain enough work to maintain a reasonable standard of living. This situation may encourage them to become more susceptible to client influence and unethical behaviour.

"... all of a sudden the valuer gets up one morning and there is no work, and therefore a big client, or a relatively large client ... comes in and says we will guarantee you a certain amount of work provided you do it, for a miserable fee per job, they would do things they might otherwise not consider..."

The respondents also highlighted that varying market conditions within the property market itself can affect the amount of influence a client has over a valuation outcome. In a "quiet" market where there is limited evidence available a valuer is forced to rely more extensively on their judgement and opinion. This increases the subjectivity and the client's bargaining power when "negotiating" a final valuation outcome.

"... the less evidence there is then the less of an argument you've got and the more personal opinion comes into it...."

The analysis of the transcripts indicates that a number of external influences are capable of affecting the type and amount of potential client influence. Although valuers did not seem to have knowledge of
specific regulations, they were aware of the necessity to behave in an ethical manner. They were also directed by relevant case law and influenced by the risk of having to defend themselves in the witness box. The valuers interviewed were also aware of working within the requirements of financial reporting standards to identify a specific valuation figure rather than a range of values. Finally the transcripts indicate that valuers could be affected by both the market for valuations and the property market generally.

This section of the study has interpreted the findings of the valuer interviews in order to gain an in-depth knowledge of the perceptions of experienced valuers regarding the role the client plays in the valuation process and their ability to influence valuation outcomes. To achieve this each interview was individually analysed and then a cross-case analysis was undertaken comparing all interviews. From the data interpretation process eight sets of factors emerged relating to the potential of client influence. These factors were the type of client, the purpose of the valuation, valuer traits, the characteristics of the valuation firm, valuation issues, the client valuer relationship and external pressures. All have all been discussed in this section. The following section further examines these factors in the context of the construction of a revised framework of client influence and compares the updated framework with the preliminary framework as set out in Chapter 5.

6.5 REVISED FRAMEWORK OF FACTORS AFFECTING CLIENT INFLUENCE AS REPORTED BY EXPERIENCED VALUERS

This section of the report sets out the revised framework of postulated factors affecting client influence by incorporating the data interpreted from the valuer interviews. The revised framework can be found in Figure 6.3.

As explained in the previous section, the in-depth observations gathered from the valuer interviews have permitted a more in-depth understanding of the factors affecting client influence. This is clearly illustrated when comparing the revised framework in Figure 6.3 with the initial framework set out in Chapter 5, Figure 5.1. The next section of this chapter will highlight the differences between the two frameworks and their implications.
The interviews with valuers facilitated a deeper understanding of the valuation process which is reflected in the revised framework illustrated in Figure 6.3. This section considers the comparative differences between the initial and revised frameworks. The most noticeable adjustments are the addition of a number of factors identified by the valuers as affecting client influence. The revised framework also helps to clarify how these factors specifically affect the client within the New Zealand valuation context. The initial framework defined four general factors; service characteristics, external characteristics, service provider characteristics and client characteristics. The revised framework includes eight categories comprising client characteristics, the client relationship and the valuation process.
process, the purpose of the valuation, valuation issues, the characteristics of the valuation firm, valuer characteristics and external pressures. Figure 6.4 compares the initial and revised frameworks.

**FIGURE 6.4 COMPARATIVE ANALYSIS OF FACTORS BETWEEN THE INITIAL AND REVISED CONCEPTUAL FRAMEWORK AFFECTING CLIENT INFLUENCE**

<table>
<thead>
<tr>
<th>INITIAL CONCEPTUAL FRAMEWORK</th>
<th>REVISED CONCEPTUAL FRAMEWORK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service provider characteristics</td>
<td>Valuer characteristics</td>
</tr>
<tr>
<td>External characteristics</td>
<td>Valuation firm characteristics</td>
</tr>
<tr>
<td>Service characteristics</td>
<td>External pressures</td>
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<tr>
<td></td>
<td>Valuation process</td>
</tr>
<tr>
<td>Client characteristics</td>
<td>Technical valuation issues</td>
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<tr>
<td></td>
<td>Purpose of the valuation</td>
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<tr>
<td></td>
<td>Client relationship</td>
</tr>
<tr>
<td></td>
<td>Client characteristics</td>
</tr>
</tbody>
</table>

Each of these factors will now be considered together with a discussion as to how they differ from and enhance the original framework. The additional in-depth understanding of client pressure and influence strategies gained from the valuer interviews will also be discussed in relation to client influence.

### 6.6.1 Client pressure/influence strategies

An analysis of the interviews enabled a clearer and deeper understanding of the influence strategies and power a client has available to them in affecting a valuation outcome. Whereas the initial framework identified only four types of influence strategies, these being reward power, coercive power, expert power and information power, the revised framework includes an additional four strategies described as client expectations, badgering, client instructions and general influence.

The valuers interviewed suggested that a valuer's perceived expectations of the client could have a powerful effect on the valuer. These expectations include those specifically outlined by the client, or alternatively a valuer's belief of a client's expectations. Evidence from the transcripts suggest that the valuer could be affected consciously or subconsciously by their clients' expectations, this was also observed by Lowenstein et al (1993). The inclusion of badgering as a separate sub-factor was also identified. Badgering differs from coercive or reward influence in that it tends to be used by less sophisticated clients without the ability to exert information, reward or expert power. The transcripts also demonstrated that different types of strategies tended to be favoured by different types of clients. For example a small developer without information or expertise regarding the valuation process may have to resort to badgering the valuer to alter a reported value.
In addition to the more general influence strategies available to a client outlined in the initial conceptual framework of client influence, more specific influence strategies describing the client’s ability to control the major elements of the valuation process were also evident. Valuers reported on a client’s ability to specify exactly when valuations should be carried out and in a number of cases the type of methodology to be used. Although valuers explained that there were regulations governing how certain valuations should be carried out, they did suggest that there was still room for this type of client influence. The perceived flexibility of rules and regulations by the valuers interviewed may imply that this influence is more prominent in New Zealand than in other more regulated jurisdictions. Finally, the interviews identified an additional sub-factor of “general influence”. This includes the valuer’s desire to be friends with the client in order to increase their chance of receiving instructions for future work.

In summary, the information gained from the valuer interviews has enabled a more in-depth understanding of the influence strategies utilised by clients in order to potentially affect valuation outcomes. These influences include those already identified in the original framework plus an additional four sub-factors which together have uncovered a range of different types of influences from very specific instructions, consciously affecting the valuer through to the subconscious effect of anticipating what a client wants. The analysis of the interviews also illustrates the tendency of different types of clients to utilise different types of influence strategies.

6.6.2 Valuation process

The original framework relating to client influence compiled predominantly from extant literature identified service characteristics as a factor with the potential of affecting the amount and type of influence strategy available to a client. The revised framework expands these characteristics into three main categories; the valuation process, the purpose of the valuation and valuation issues. An understanding of the client’s role in the valuation process and how this role may affect the amount of pressure a client is able to apply to a valuation outcome is particularly important for regulators when looking to preserve the integrity of the valuation profession and the valuation process (see reference to the Carsberg report and the RICS response in Chapter 2). The common practice of presenting the client with a draft report was a major finding from the interviews and subsequent to this research similar findings have also been found to be true in the UK (Baum et al., 2000). Furnishing the client with the draft report enables them to exert their influence through such strategies as information power and expertise as previously discussed. In particular, more sophisticated clients have the ability to exercise such power to “correct” “mistakes” and identify comparable evidence and potential deals to encourage a valuer to report a more attractive valuation figure.

Other aspects of the valuation process were also identified as key determinants of the type and amount of influence strategies accessible to the client. The valuers interviewed highlighted a number of policies organisations had implemented to enhance their credibility in the market and reduce the
opportunity for client influence. These include reporting to an independent party, the rotation of valuers, peer review procedures and quality control. The respondents advised that reporting to a third independent party may reduce the potential of pressure from the client to report a certain valuation figure. This observation was also made by Mayhew and Pike (2004) in the auditing context.

Limiting the number of years the same valuer can undertake a specific valuation by way of valuer rotations was also identified by interviewees as potentially reducing the opportunity for clients to influence valuation outcomes. The respondents explained that valuer rotation helps to ensure that mistakes are not compounded and therefore inaccurate valuations are not repeated the following year. In addition to this practice, a number of valuation firms have introduced a peer review process as part of a total quality management package. The valuers interviewed believe this practice helps to reduce the number of mistakes and help to increase the valuer's confidence in their valuation outcome thus reducing the potential for client influence.

Regulations governing the reporting of certain types of valuations provide another addition to the revised framework as a sub-factor of the valuation process. The valuers interviewed suggest that these standards have the not only the ability to reduce, but also to increase client influence. For example the requirement of SSAP 17 to report a pinpoint value may encourage a valuer to place a specific value on a property within a range which reflects a client's expectations and requirements. Reporting standards have also been included under the heading of external pressures as they constitute the regulatory framework within which the valuer practices.

As discussed previously time pressure is another factor identified by the valuers interviewed as affecting the potential of clients to influence valuation outcomes. Time pressure was not included in the initial conceptual framework, but an analysis of the interviews indicated that there are a number of clients placed under pressures to submit a valuation report in a very short period. This seems to be particularly prevalent in cases where finance may be dependent on the reported value. Limiting the amount of time a valuer has to complete a report may necessitate a valuer relying more heavily on the client for information. It may also limit the amount of time the valuer has to check the accuracy of the report with other colleagues. This time pressure therefore can result in an increase in a valuer's vulnerability to client influence. The concept of time pressure acting as a moderating factor has also been addressed in the review of the organisational decision-making literature (Kohli 1989). The ability of a client's instructions to influence a number of aspects of the valuation process and the valuation outcome was also identified by the valuers interviewed.

The valuation process, the purpose of the valuation and other issues pertaining to the valuation were other main factors identified by the valuers interviewed as having the ability to affect the influence the client has over valuation outcomes. These are all included in the revised framework and will be discussed further in the following sections.
6.6.3 Purpose of the valuation and valuation issues

The original conceptual framework included the purpose of valuation as a sub-category under the main category of service characteristics. After analysing the valuer interviews it was evident that purpose of the valuation is an important factor in affecting the potential for client influence on valuation outcomes. The purpose of a valuation was therefore included in the revised framework as a major category. The valuers interviewed identified a number of specific types of valuations. Three of these are included in the revised framework as being particularly prone to different types and amount of influence from potential clients. These are asset valuations, valuations for borrowing and valuations undertaken for negotiation purposes.

In summary, the initial conceptual framework identified a number of service characteristics associated with valuation issues. From the analysis of the transcripts a more in-depth understanding of these issues was determined. These included the methodology which may be determined by the client; the standard or quality of the valuation report; a valuer’s knowledge of the contract price; and the definition of the market value. Interestingly the amount of the adjustment required by the client was not specifically identified by the respondents, a finding that corresponds with the research of Worzala et al (1998). Of more concern to the valuers interviewed was not the adjustment size required by the client but whether any adjustment was within the range of defensible values and whether this adjustment could be defended in court.

6.6.4 Valuer characteristics and the characteristics of the valuation firm

The initial conceptual framework of client influence included a factor relating to “service provider characteristics”. From the interpretation of the valuer interviews this factor was broken down into two further categories including characteristics relating to the individual valuer and those relating to the valuation firm as a whole. These have both been incorporated into the revised framework of client influence. In-depth data from the interviews has not only permitted a deeper understanding of the specific characteristics of a valuation firm and valuer but also helped to identify eight further sub-categories relating to valuer characteristics and four relating to characteristics of a valuation firm. In addition, certain factors were discarded from the initial conceptual framework as they were not specifically identified by the valuers interviewed as highly relevant. These discarded characteristics were: the importance of the client to the income of the firm; whether the valuer is undertaking additional services or other work for the valuer; and personal decision-making styles.

6.6.5 Client characteristics

An analysis of the valuer interviews identified a number of different client characteristics. The most common theme that emerged was that different types of clients may use different strategies to attempt to influence valuation outcomes. One of the most useful outcomes from the interviews was the identification of the characteristics associated with a ‘sophisticated’ and ‘unsophisticated’ client and
how these can affect the type of and amount of client pressure. The interviews also identified client remuneration methods as potentially affecting client influence. This result reflects the findings of Pasewark and Wilkerson (1989) in the context of the auditing profession. The transcripts provide evidence relating to the differences between landlords, tenants, purchasers and sellers which have been incorporated into the revised framework. Culture, nationality and personality of the client were also added to the framework. Therefore the revised framework, through the in-depth understanding of the valuation process attained from the interviews includes further sub-categories of clients. The size of the client has remained in the framework whereas a client’s market power, prior involvement with the client’s assets, the importance of service outcomes were removed from this category.

6.6.6 External pressures
A category relating to external characteristics was included in the initial conceptual framework and has been retained in the revised conceptual framework. The insights attained from the valuer interviews resulted in the definition of market value being removed from the category of external characteristics and included into the category of valuation issues. The regulatory framework remained, with the addition of two related sub-categories of case law and financial reporting standards. Market conditions also remained, this sub-category as discussed covers not only conditions within the context of the property market but also within the valuation market. The most interesting addition within this category was that of market credibility which made up a recurring theme in all the interview transcripts. The valuers interviewed emphasised the importance of maintaining market credibility for their client and also the valuation firm.

The insights from the valuer interviews have permitted a more in-depth understanding of the valuation process and the compilation of a revised framework of client influence. This revised framework includes a number of additional factors and disregards and recategorises others. The researcher believes that this revised framework portrays a more accurate reflection of valuer behaviour and client influence from the perspective of experienced New Zealand valuers.

In addition to the findings specifically relating to the framework of client influence, additional observations and relationships were identified from the interpretation of the interview transcripts. These are outlined in the following section.

6.7 ADDITIONAL OBSERVATIONS AND RELATIONSHIPS

The interpretation of the data collected from the valuer interviews not only permitted the revision of the framework of client influence as set out in Figure 6.3, but the richness of the information also highlighted a number of additional relationships between the client, valuer and reported values. These insights were particularly useful in identifying the relationship between the type of client, the influence strategy used, the ethics of a valuer and the reported value. These relationships can be summarised as follows and are illustrated in a diagrammatic form in Figure 6.5:
Conceptualising the Influence of Clients on Valuations

i. Sophisticated clients tend to use expert and information power

ii. Unsophisticated clients tend to use reward/coercive power and information

iii. Expert and information power as used by sophisticated clients may change a valuer’s original assessment of a property’s value

iv. Reward/coercive power does not change a valuer’s belief of a property’s value

v. Information power as used by unsophisticated clients (in particular misinformation) does not change a valuer’s belief of a property’s value

vi. Ethical valuers will be only be prepared to change the original reported value within or outside the original range of defensible values if they have been successfully influenced by the client to change their original perception of the property’s value

vii. Unethical valuers will be prepared to change the original reported value inside or outside the original range of defensible values even if they have not been successfully influenced by the client to change their original perception of the property’s value.

FIGURE 6.5 THE EFFECT OF CLIENT AND VALUER TYPE ON THE CHANGE IN REPORTED VALUES

<table>
<thead>
<tr>
<th>CLIENT</th>
<th>INFLUENCE</th>
<th>VALUER</th>
<th>BELIEF</th>
<th>REPORTED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sophisticated</td>
<td>Expert information</td>
<td>Ethical or unethical</td>
<td>Belief Update</td>
<td>Change outside original value range</td>
</tr>
<tr>
<td>Unsophisticated</td>
<td>Reward/coercive Information</td>
<td>Ethical</td>
<td>No Belief Update</td>
<td>Change within original value range</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>No Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Change outside original value range</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Change within original value range</td>
</tr>
</tbody>
</table>
Chapter 6 has set out the results of the in-depth interviews with five experienced Auckland valuers. The main aim of these interviews was to discover their valuers' perceptions as to the role the client plays in the valuation process and the ability they have in influencing valuation outcomes. The data from the interviews were interpreted to identify themes related to client influence. These themes were then grouped into categories with each category given a label and definition. These can be found in Appendix 6A. Each interview once completed was transcribed, and then coded by way of open coding, which allowed the researcher to open up the text and expose thoughts, ideas and meanings. In addition to open coding a case-research approach was incorporated into the research design and both within-case and cross case analyses were undertaken. These can be found in Appendices 6A to 6C.

The interpretation of the interviews revealed a deep understanding of the valuation process and the role of the client in influencing valuation outcomes from the perspective of experienced valuers. These insights could not have been attained using a quantitative approach. Many of these insights had not previously been published in academic literature, and help to confirm the widely held belief that clients do have a role to play in influencing valuation outcomes.

More specifically, the analysis of the interviews permitted a more in-depth understanding of the valuation process and the compilation of revised framework of client influence. This framework can be found in Figure 6.3 and a comparative analysis with the initial conceptual framework derived in Chapter 5 was described in Section 6.6. The revised framework includes eight main categories comprising client characteristics, the client relationship, the valuation process, the purpose of the valuation, valuation issues, the valuation firm, valuer characteristics and external pressures. This can be compared with the initial framework which included only four main categories: service characteristics, external characteristics, service provider characteristics and client characteristics.

The interviews with the valuers also enabled a deeper understanding of the influence strategies clients have available to them in affecting a valuation outcome, and these are reflected in the revised framework. Whereas the initial framework identified only four types of influence strategies, these being reward power, coercive power, expert power and information power, the revised framework includes four additional strategies of client expectations, badgering, client instructions and general influence. It was interesting to note that the client may not have to vocalise their requirements to the valuer but valuers may assume certain client expectations and these assumptions may have the potential to affect the way they approach a valuation. Of particular importance was the finding that different influence strategies tend to be used by clients with different characteristics, in particular the use of expert and information power utilised by larger and more sophisticated clients.
Another significant issue highlighted by the interviews was the ethical dilemma faced by valuers as a result of the dual role played by clients in the valuation process and also the tension the valuer faces between independence from the client and providing the client with the service they require. Clients are an important source of property or market specific information for valuers and the use of this information power by clients may be perceived as "proper" influence on the process of valuation. However, clients may also omit certain information from the valuer which could be regarded as a form of "improper" influence that can be hard to detect. This could also be true of the use of expert power where the client may have more experience and expertise than the valuer in valuing their properties.

Another issue that was discussed by the valuers interviewed was the common practice of valuers in New Zealand providing clients with their valuation estimates or entire draft reports prior to their finalisation. This process may act as a checking process and therefore again be regarded as "proper" influence but draft reviews also present clients with an opportunity to influence final valuations which may be regarded as an improper form of influence that is relatively easy to detect but difficult to resist.

The results at this stage of the study therefore suggest that there are a large number of varied factors that may affect the amount and direction of client influences and though these factors may have predictable results on their effect on valuation outcomes, the bias in any particular valuation could vary considerably.

The interviewing of experienced valuers as described in this chapter has permitted many additional insights into valuer and client behaviour within the valuation process which would not have been impossible to attain purely through the use of surveys or experiments. However, these interviews only provide evidence from the viewpoint of the valuer and in line with an interpretive philosophy it is important to investigate how the other primary participant in the valuation process, the client, perceives their role in the valuation process. Collecting these insights from the client provides the ability to triangulate the data collected from valuer interviews.

Chapter 7 outlines Stage three of the research process including data collection, data interpretation and further updating of the conceptual framework of client influence. When considering the appropriate sample of clients to interview for this third phase, it was evident from the insights provided by the valuer interviews that clients with different characteristics tend to use different influence strategies to affect valuation outcomes. Given the complexity that surrounds this issue a decision was made to limit the second set of interviews to sophisticated clients.

Chapter 6 References

Conceptualising the Influence of Clients on Valuations


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