

Valuing the client or the property?

An examination of client-related judgement bias in real estate valuation

Pim Klammer



Colofon

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Valuing the client or the property?

An examination of client-related judgement bias in real estate valuation

Focus op de opdrachtgever of het vastgoed?

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(met een samenvatting in het Nederlands)

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1



General introduction

This thesis contains the results of a recent PhD research on the manifestation of client orientation in the practice of commercial real estate valuation. Commercial real estate involves commercially used properties such as office buildings or retail units, yet it may also include portfolios of apartments that are commercially exploited by real estate investors, and unconventional property such as health care accommodation, leisure or industrial complexes. As a general introduction to this PhD thesis, this chapter will briefly set out the essence of valuation practice, the current setting of the Dutch valuation community and the problem statement of this PhD research.

Valuation process

Real estate valuation is the process of developing an opinion of a property value and communicating this opinion to beneficiaries by means of a signed valuation report. The process of value assessment involves the estimation and quantification, to a certain level of precision, what buyers and sellers would consider the market value of a parcel of land and buildings erected on that land. For this purpose, valuers evaluate relevant information with regard to the property, location and market developments. While values of residential real estate can be relatively easily derived from recent comparable sales in the neighbourhood, the valuation of commercial real estate often requires more cognitive effort and analysis due to the property's uniqueness by location, building type and/or usage. In order to execute market valuations of commercial property¹, valuers typically go through the following phases (Ling and Archer, 2013):

- Instruction of the valuation assignment and determination of the scope of work;
- Collection of market information, comparable transactions and property-related data;
- Analysis of the relevance of obtained data vis-à-vis the subject property's features;
- Application of valuation approaches and calculations;
- Reconciliation of output into a final opinion of value;
- Reporting of the final value opinion to client.

The complexity in the execution of commercial real estate valuation was pointed out long ago (Kinnard, 1968) but still holds today. Due to its fixed location, the market value of real estate is very much a creature of its environment, which includes physical, economic, legal-governmental and social dimensions. This means that particular emphasis must be placed on each of those aspects in relation to current market conditions when assessing a property's

1 For the remainder of this book, valuation should read valuation of commercial property, unless specified otherwise. Also, property and real estate are meant here to refer to the same object, i.e. a parcel of land and building(s) erected on it. Finally, while valuation may serve different purposes, this thesis focuses on the purpose of market value assessment, i.e. the assessment of the current value of a property in the open market.

market value. However, this market environment lacks transparency to a certain extent, due to the locality of real estate markets and the confidential nature of (pricing) details of comparable property transactions. While basic features of market transactions such as size, date and price are accessible to observers such as valuers through transaction databases, many transaction details that may affect its price remain confidential to the parties involved. Incomplete market knowledge may complicate the judgement of relevant transaction merits. As such, trends and developments in the market place can only be observed partially, which may imply data ambiguity risks for valuers (Hutchison and Nanthakumaran, 2000; Lorenz et al., 2006; Newell, 2016).

Subjectivity in valuation

Hager and Lord (1985) were among the first to point out the existence of subjectivity in valuation. By this, it is meant that the success of the valuation, or the skill of the valuer to provide an accurate opinion, relies extensively on personal knowledge, expertise and interpretation of the many variables available (Adair et al., 1996). In fact, it has been stated that all valuations are uncertain to a certain extent as individual valuers are “unable to specify and price accurately all current and future influences on the value of the asset” (Adair and Hutchison, 2005, p.254).

The awareness of subjectivity in valuation that arose in the 1980s has had two implications. First, it boosted research on aspects of valuation *accuracy* (i.e. differences between a property’s sale price and its market value) and of valuation *variance* (i.e. property value differences between peers). This will be elaborated in chapter 3. Second, concerns in the market place arose in relation to uncertainty over market values, i.e. how valuations may differ from each other “without forfeiting [a valuer’s] claim to professional competence” (Crosby, 2000, p.132). Law courts and tribunals started to adopt an acceptable margin of error in valuer negligence law cases, i.e. a tolerated deviation of a value estimate from peer estimates or sale prices reflecting their status as estimates and opinions rather than facts (Crosby, 2000). Views on this acceptable margin of error seem to vary between 5%-10% for common commercial property, depending on its specifics and market conditions (Isaac and O’Leary, 2012; Adair et al., 1996). In the market place, this tolerance became known as the ‘bracket’, a value range within which, apparently, multiple value outcomes seem justifiable and defensible (Isaac and O’Leary, 2012). Valuers use their professional autonomy to assess a property’s value to their best effort, yet the concept of a bracket may imply some elasticity in value opinions.

As a consequence, beneficiaries of valuation reports such as property owners, investors and financiers who instructed and paid for valuation reports, may have regarded the existence of such a bracket as a means to put pressure on valuers to amend value outcomes within this range towards their own benefit. After all, from the perspective of clients valuers seem to be able to move their value a bit without risking negligence claims in court. It allowed clients to enter into discussions with valuers on their opinions, potentially compromising valuers’ claims to autonomy.

Roberts and Roberts pointed long ago that clients themselves are “probably the most frequent cause of variance in value conclusions” (1991, p.214).

Hence, it seems that subjectivity in valuation may relate to differences in individual information processing capabilities. However, subjectivity may also involve diversity in dealing with clients and client pressure on value assessment before reporting a final value towards beneficiaries.

Current Dutch valuation setting

In the Netherlands, concerns over valuation quality and independence risks of valuers have been expressed during the last decade by regulative authorities as the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). A large part of regulator’s interest in the sector followed the 2008 financial crisis, which appeared to be at least partially driven by inaccurate, intransparent or incomparable valuations of Dutch commercial real estate (AFM, 2014). According to DNB, the crisis illustrated that major financial institutions in the Netherlands appear vulnerable to (significant) losses in commercial real estate values. Such vulnerability may affect the stability of the entire Dutch financial system (DNB, 2012; 2015).² Another part of regulatory concerns can be attributed to the many integrity studies that have been conducted by AFM over the years in the field of real estate, including the valuation sector (Snijder, 2014). Integrity issues generally involved conflicts of interest of valuers when performing valuation instructions.

Different initiatives were taken to address these concerns. In conjunction with NBA, the Royal Netherlands Institute of Chartered Accountants, 28 ‘best practice’ standards were issued to improve valuation process quality (Platform Taxateurs en Accountants, 2013). These recommendations aimed to improve valuation procedures and reporting transparency, among other things. More vigorous however was the introduction of ‘Nederlands Register Vastgoed Taxateurs’ (NRVT), the new Dutch central register of valuation practitioners that became operational as of January 1st, 2016. NRVT was set up under supervision of DNB and AFM in order to improve self-regulation, quality control and compliance of the Dutch valuation community. The NRVT register also integrated both international valuation standards (IVS) and European valuation standards (EVS) into Dutch professional regulation, and issued practice guidelines

2 Details on the exact scope of total valuation work in the Netherlands seem unavailable. Estimates vary in the range of “hundreds of billions” per annum (NRVT, 2020). Gross domestic product in the Netherlands ranged between €690 billion and €811 billion between 2015-2019 (CBS, 2020). In 2015, Dutch banks in total had €68 billion of loans outstanding in the commercial real estate sector in the Netherlands, representing 67% of their core capital (i.e. a bank’s capital that aims to absorb going concern risks (DNB, 2015). As such, the Dutch valuation sector represents a significant financial exposure to the Dutch economy and its underlying financial system.

and a code of conduct to ensure that valuers would act in accordance with professional norms of valuation. Currently, NRVT holds approximately 7,000 registrations in the Netherlands. The chamber for commercial real estate valuation holds about 2,000 commercial valuation registrations (NRVT 2016; 2020).

Research problem

The aforementioned initiatives such as best practice standards and NRVT can be perceived as enhancing professionalism of the valuation sector from an ‘instrumental’ point of view. Instrumental aspects of professionalism emphasise the importance of instruments or techniques that serve (good) professional conduct, such as business protocols, codes of conduct, checklists, and reporting formats (Van Ewijk, 2019). These instruments are reflective of a ‘systematic’ orientation towards professionalism, in which good professional practice seems objectively determined. In fact, the practitioner itself may be regarded as an instrument that needs to be managed (Bakker, 2016). An instrumental view to professionalisation in the Dutch valuation sector seems plausible in relation to the raised concerns over practice quality and uniformity. The sector had been organised in a relatively fragmented way prior to 2016.

However, Wassink and Bakker (2013) point out that professionals, besides using instruments, also make personal choices in work that are reflective of individual beliefs, norms and values. A need for judgement discretion is regarded as an essential part of professional practice in order to deal with work complexity. Insight into and reflection on individual choices is part of what is referred to as ‘normative’ aspects of professionalisation: what norms prevail in individual judgement and decision-making and why (Van Ewijk, 2019). Concerns have been expressed by several prominent members of the Dutch valuation community, stating that awareness of and emphasis on such normative aspects may become subdued by an instrumental dominance in views on professionalisation in the sector: *“In the end, valuation [of commercial real estate] concerns a qualitative review or judgement of the valuer and his ability to provide substantiation for this judgment. It seems illusive to think that valuations can be classified as either good or bad through simply ticking boxes behind input parameters”* (PropertyNL, 2014³). These concerns illustrate fear over a reduction of individual autonomy in judgement and decision-making.

Regulative concerns as expressed before were raised in part due to fears over reduced objectivity of valuers and independence from clients. Independence from clients is one of five fundamental

3 Quote from Frans van Hoeken and Jacques Boeve, co-heads of the valuation practice of DTZ Zadelhoff. At the time, DTZ Zadelhoff represented the largest valuation practice in the Netherlands with approximately 80 valuation employees.

principles of NRVT's code of conduct.⁴ Professional autonomy is regarded as key to upholding such objectivity and independence during valuation work. Autonomy implies a high degree of control over terms and content of work (Stoddard et al., 2001). In valuation standards, it refers to autonomous judgement and decision-making, i.e. to prevent that valuers' judgement may be compromised or jeopardised by client-related risks as judgement bias, conflict of interest or undue client influence during practice (IVSC, 2011; NRVT, 2015). However, as will be elaborated in chapter 2, many professions have been dealing with increasing commercialism and client pressure on judgement autonomy in daily practice over the last decades. Such client-related complexity in valuation may be posed as follows. On the one hand, valuers need to position themselves towards clients for instruction, information and remuneration purposes; the client hires a valuer at his (her) will. On the other hand, valuers need to maintain distant to non-relevant information for valuation purposes, such as client interests, opinions or outcome preferences. Many valuation clients may however have (strong) financial interests that are at stake when valuations are being performed; examples include real estate (investment/divestment/finance) activity or mortgage creditworthiness. Clients may therefore be tempted to influence a valuer's judgement reasoning during the execution of valuations.

Several research experiments have illustrated such influence, for instance by means of feedback on valuation concepts (Diaz, 1999). However, while client-related risks have been acknowledged as a threat to judgement autonomy, detailed insights on how or why valuers may succumb to client needs seems an under-researched area (Levy and Schuck, 1999; 2005). This is particularly true for the Netherlands. While behavioural research on cognitive bias and judgement accuracy in general has attracted some local attention (e.g. Smit and Vos, 2003; Naber, 2017; Pijl, 2017), Dutch judgement bias research in relation to client interests seems marginal up until the start of this PhD project in 2016 (e.g. Niemeijer, 2014; Van der Werf and Huibers, 2015).

The combination of authoritative concerns over professional quality in the Netherlands and lack of (comprehensive) scientific insights into the manifestation of client-related aspects in this regard poses a knowledge gap: how may practitioners address client-related bias risks and improve valuation accuracy from this viewpoint if little is known on how such risks affect one's judgement in daily practice? The seemingly scarcity of scientific insights available on client-related bias risks in the Netherlands may hinder the development or enhancement of normative aspects of judgement quality and may prevent educational programs to adequately prepare aspirant valuers for task execution. Little seems known on how valuers orientate themselves to clients while executing various (sub-) tasks during valuation work. The relationship between

4 The NRVT's code of conduct describes, among other things, five fundamental principles. Besides objectivity and independence, it contains norms on professional competence; accuracy; confidentiality; and compliance with law and regulation (NRVT, 2015).

client orientation and associated risks in terms of judgement autonomy is perceived as a black box, especially in the Netherlands, as illustrated by the front cover of this book. A box that needs to be opened, in order to improve our understanding of valuation accuracy and judgement bias risks that may be associated with client orientation. This PhD research started in 2016 in order to address this perceived knowledge gap. The aim of this research has been to undertake an in-depth examination of value process execution in relation to client orientation, by means of the following research problem:

How may client orientation affect professional judgement autonomy of commercial real estate valuers in the Netherlands?

As such, this thesis intends to provide an insight into the ways normativity vis-à-vis clients manifests itself in professional performance of valuation practitioners. Such insight is deemed a requirement for stimulating exploration of and reflection on one's own normativity in judgement choices, for instance by means of training and education (Bakker, 2016).⁵ For the purpose of this thesis, the meaning of the notions of both client orientation and professional autonomy are specified hereafter. First, client orientation should be broadly interpreted and refers to valuers' perception, understanding and meaning given to actual or anticipated client behaviour. Such aspects involve client influence, interests or opinions, yet the common denominator is that information on these aspects is not required for the performance of valuation instructions. It is considered as circumstantial or environmental information that valuers may learn during any phase of valuation process. In addition, clients primarily refer to those clients that operate in commercial settings, and/or in for-profit sectors, and as such may have strong financial or commercial interests to serve. Examples of such clients, who regularly issue valuation instructions, include retail banks, investors, developers, corporate real estate owners et cetera.

Second, the notion of professional judgement autonomy refers here to the premise that a valuer's judgement reasoning patterns should be in line with professional norms as set by valuation standards upon entry into the Dutch valuation register. In relation to the context of client orientation, relevant norms of professional conduct particularly address aspects of objectivity and independence. In respect of the existing knowledge base, this thesis addresses autonomy in view of the way valuation work is performed and how valuers position themselves towards clients *during* work, rather than assessing how valuers may decide on the final value figure as an outcome of their work. Effects on final valuation decisions has been examined

5 In this regard, Bakker (2016) refers to different levels of normative professionalisation. Level 1 (i.e. insight into how normative aspects manifest in daily practice) serves as a prelude to level 2 (i.e. attention to development of normative aspects of professionalisation). Level 3 entails the development of one's own vision of what contains good work in practice (p.22-23).

in other studies, as will be elaborated in chapters 3 and 4. Thus, in terms of judgement and decision-making processes, the focus of this thesis is on the first part: how may client orientation impact on judgement reasoning patterns during task execution. The actual decision-making part, or choice, may be subject to various idiosyncratic elements (e.g. skills) and trait aspects (e.g. courage) that are beyond the scope of this thesis (Li et al., 2011; Bonner, 1994).

Also relevant in this regard is the notion of judgement bias, which has been mentioned as a risk that may follow from client influence or orientation. Judgement bias refers to a form of cognitive bias, a psychological concept introduced by Tversky and Kahneman (1972; 1974). Its notion is often used in behavioural economics and finance, to demonstrate how one may deviate in judgement and decision-making from norm or rationality. Cognitive bias is regarded as part of human nature, for instance due to cognitive limitations or time pressure (i.e. ‘bounded’ or limited rationality; Simon, 1955; Newel and Simon, 1972). In the context of this research, rationality or norm refers to judgement impartiality vis-à-vis clients in accordance with the sector’s fundamental principle of objectivity and independence.

In summary, this thesis aims to provide explanations for the manifestation of judgement autonomy risks in relation to client orientation in commercial real estate valuation practice in the Netherlands. As such, it will address autonomy aspects in valuation practice from different (task/role) viewpoints as will be discussed in chapter 3. Relevant research insights in this regard can be used to enhance (normative) development of judgement quality in organisational practice and/or educational programs and so reduce concerns over client-related bias from regulators. The population targeted in this PhD research involves the community of approximately 2,000 commercial real estate valuation practitioners in the Netherlands.

Thesis overview

The outline of this thesis is as follows. Chapter 2 will provide a description of the general context and positioning of valuation as a type of profession in Western society. As such, it elaborates on some important presumptions of this PhD project, including the public interest of real estate valuation; changing professional autonomy in view of commercialisation; and similarities between valuation and the peer community of auditing. This chapter will also serve as a background against which research results and conclusions are discussed in the final chapter of this thesis. Next, chapter 3 outlines the research design that underlies this PhD research. Chapters 4 to 8 describe the results of five studies undertaken as part of this research project. Chapter 4 offers a systematic review of relevant literature on judgement bias in valuation, while chapters 5 to 8 provide empirical field studies on different aspects of valuers’ judgement reasoning in the Netherlands. Finally, chapter 9 contains an overview of the main results and conclusions. These conclusions are discussed in view of the current positioning of commercial

valuers in the Netherlands. Finally, practice recommendations and future research opportunities are identified in this chapter.

2



Professional views on valuation practice

This chapter describes the practice of commercial real estate valuation from two different viewpoints. First, a (classic) professional view is provided, in light of a public interest that valuation serves. Second, valuation is interpreted from a commercial perspective with regard to organisational survival in view of competition and a commercial market setting. Both perspectives generally entail different norms on adequate use of professional autonomy by valuers, as will be discussed. As such, the current setting of (Dutch) valuation practice is elaborated to serve as background to the subject PhD research. In the final chapter of this thesis, the PhD research conclusions and recommendations will be set out against this background.

2.1 A classic-professional view on valuation

Property valuation and financial crises

Property underpins a major proportion of financial decisions in mature economies. A failure to ensure the proper valuation of real estate assets will bear financial exposure risks to a wide range of stakeholders, such as house owners; banks that use property as collateral for loans; and future pensioners whose savings are invested in real estate by institutional investors (Gilbertson and Preston, 2005). Such financial risks may materialise during the event of a financial recession or crisis, which is featured by a sudden drop in values of financial assets, such as real estate, shares or bonds. Although crises often have multiple causes that may interrelate and reinforce each other, Allen and Carletti (2013) report of various studies that provide ‘extensive’ evidence that real estate boom and bust cycles are an important source of global banking crises to date. Ranging from the Great Depression in the USA in the 1930s up to the latest global banking crisis and recession of 2007-2009, there seems to be a strong relationship between real estate performance, banking crises, credit crunches and macroeconomic performance (DeLisle and Grissom, 2011). As banks instruct valuers to estimate market values of properties used as loan collaterals, the valuation industry was often criticised for providing unrealistic value estimates as a catalyst of economic uncertainty.

In the aftermath of many crises, concerns over future collapses quite often led to updated valuation standards and improved training and regulation in order to provide more effective guidance to valuers (Newell et al., 2010; Gilbertson and Preston, 2005). In the USA, the Great Depression was preceded by a real estate boom in the 1920s that led to over-financing activities by banks. Criticism on misleading or inaccurate appraisals at the time led to the founding of two professional bodies (i.e. American Institute of Real Estate Appraisers (AIREA) in 1932 and the Society of Real Estate Appraisers (Society) in 1935). Their aims were threefold: the advancement of the science of appraising; the selection and identification of competent individuals for membership; and the control of its members through disciplinary powers (White, 1985). Likewise, the US government responded to the ‘savings and loan’ crisis of the late 1980s by insisting on uniform appraisal standards and implementation of state licensing across the USA (Gilbertson

and Preston, 2005). Another relevant example includes the recession and banking crisis of the mid-1970s in the UK. This crisis instigated the so-called 'Red Book' in valuation published by RICS⁶, an overview of valuation standards and guidelines to direct UK valuation work. Since 1976, this Red Book has grown internationally in becoming a leading set of valuation guidelines that is regularly updated (Crosby, 1997). Similar initiatives that involved improvement of standards on valuation and reporting occurred in the aftermath of financial crises elsewhere (Gilbertson and Preston, 2005). Since the 2008 financial economic crisis, the process of valuation and its quality assurance has been under scrutiny by the International Valuation Standards Council (IVSC) (French and Gabrielli, 2018).

Although professional enhancement of valuation as a sector has been a matter of staged development (Jaffe, 1988), it appears that (property-related) crises have instigated a sense of urgency in the improvement and enhancement of valuation accuracy over the last era. In many cases, real estate valuers were blamed for losses suffered by real estate investors or financiers during disruptive economic periods. Given the subsequent impact of such property losses on the wider financial system and other markets, regulators at national and international level have aimed to restore public confidence in valuation accuracy in several ways. Apparently, consistent and transparent standards in valuation are not only the responsibility of valuation professionals, but also that of regulators, governments and other stakeholders. Does this acknowledged public interest allow valuation to qualify as a profession?

Classic notions of professions

The concept of a profession is a changing historic concept, which, to a certain extent, reflects the values of the society of the time (Freidson, 2001). Nonetheless, there seems to be consensus that the classic or ideal type of profession is featured by the following core characteristics (Lawson, 2004; Millerson, 1964; Wilensky, 1964; Hall, 1968; Haywood-Farm and Stuart, 1990; Sullivan, 2005):

1. Authority based on a body of knowledge and expertise;
2. Autonomy derived from self-regulation through entrance requirements by professional associations;
3. Public service ethic as expressed in a code of professional conduct and service ideal.

6 The Royal Institution of Chartered Surveyors is the UK-based professional body for valuation and associated real estate professionals.

Ad 1. Authority through knowledge

An occupation seeking professional authority must find a technical basis for it and assert an exclusive jurisdiction that connects both skill and jurisdiction to standards of training (Wilensky, 1964). Abbott (1988) states that the traditional basis for professional authority has long been scientific knowledge, which legitimises professional work by clarifying its foundations and tracing them to rationality, logic, and science (Abbott, 1988). Later on, Schön is among the first to add practical reflection as an alternative, legitimate claim to knowledge and professionalisation (Schön, 1983). Lawson adds that the authority claimed by professions does not only involve the (technical) ability required to perform services, but also the (human) skill to judge the experience and needs of clients. The combination of these skills is an important reason for the complex nature of professional work (Lawson, 2004). In this regard, Brightman (1978) also differentiated structured problems (i.e. well defined, routine or repetitive) from ill-structured problems that are novel, unique and complex. The latter require judgement and problem-solving processes rather than standardised approaches and is the type of problem professionals regularly deal with. Thus, professionals provide specialist expertise in which the need for (human-related) professional judgement is a key element for claiming authority (Bellis, 2000). However, if the technical base of an occupation is so narrow that it can be learned as a set of rules by most people, the occupation will have difficulty claiming a monopoly of skill or even a roughly exclusive jurisdiction (Wilensky, 1964).

Ad 2. Autonomy through self-regulation

Professional autonomy means freedom for the professions “to regulate themselves and act within their spheres of competence” (Wilensky 1964, p.146). Bellis (2000) adds that the perceived need for the exercise of personal judgement may be the reason why society has granted a community the right of self-regulation: only other members of the professions, when aware of the ins and outs of a particular case, can evaluate the correctness of the applied solution. Autonomy is however both individual or ‘attitudinal’ as well as ‘structural’; it concerns both the professional having autonomy in task execution, and the community having power to be self-regulating. Here, structural aspects of autonomy is regarded. Structural or collective aspects relate to the efforts of professional associations to provide a legitimate base for professional practice and exclude those who are unqualified. Attitudinal or individual autonomy implies the belief of the professional that (s)he is free to exercise this type of judgement and decision-making, expecting only peers to be competent to question one’s judgement (Hall, 1968; Stoddard et al., 2001). The achievement of (structural) autonomy by an occupation has been perceived as an important indicator of recognition of a community’s professional status within society (Freidson, 2001).

Ad 3. Public service ideal

The third element of a profession is embedded in its service ethic. The service ethic should express that the professional's work (i.e. judgement and decision-making) is based on addressing needs of the weak or vulnerable, rather than on the needs of the professional itself or other interests (Lawson, 2004). Besides vulnerability, such needs may also involve a lack of knowledge (i.e. ignorance), which is why trust is put in the professional's judgement. This separates professions from businesses, where (commercially denoted) self-interests usually dominate (Lawson, 2004). This trust relationship is emphasised in codes of professional conduct and ethics that articulate norms of objectivity and impartiality (Wilensky, 1964). As such, the profession's service ethic is a key aspect of the (moral) claim to professional status. Sullivan adds that such ethic underlying professional work is the rationale to the profession's social contract with society; autonomy is granted in exchange for bearing social responsibility (Sullivan (2005).⁷ However, Millerson adds that professionals not necessarily need to be involved in direct, personal, fiduciary professional-client relationships, as is associated with the classic 'ideal' professions of law, medicine and theology. Confidential matters concerning persons and possession may be found in other occupations, but these do not have the same quality as 'ideal' professions (Millerson, 1964). As such, a simple dichotomy between professions and non-professions should be rejected (Lawson, 2004).

The (semi-)professional status of valuation

How should the professional status of real estate valuation be perceived in view of classic aspects of professionalism? On the first aspect, authority through knowledge, it is pointed out that the scientific basis of valuation - i.e. theories, principles and concepts that bind its practice together - is considered relatively small. Mills (2007) states that the discipline of valuation seems to focus on practice rather than theory and suggests more emphasis should be put on the theoretical foundation and understanding of value theory in order to avoid concerns over its professional status. According to Cannone and Macdonald (2003, p.173) such emphasis is "systematically underweighted" to notions of valuation practice in US valuation literature over the last 100 years.

Knowledge authority of valuers seems to be directed to and are dependent on the existence of market inefficiencies; such inefficiencies require an expert to assess market values. In a perfectly efficient market, price would equal value, leaving the valuer to be paid only to gather and report information (Wyman et al., 2011). A number of the elements involved in producing a valuation, such as collection, organisation and formatting of data and reporting, can be automated or have

7 Such a social contract refers to an (implicit) agreement between public and profession, where the public grants the profession the right to self-regulate, i.e. control entry into the profession and set standards for individual performance, while members of the profession agree to uphold high standards of professional and ethical conduct and discipline those who fail (Hamilton, 2008).

been automated already. Current technological effort is directed towards artificial intelligence (AI) and automated valuation modelling (AVM), which is already in use in residential real estate. Concerns over a reduction of valuer's authority in (commercial) valuation in view of such developments have been raised, but may subside as data ambiguity remains a problem that causes varying levels of success of AVMs (Matysiak, 2017). However, comparable developments take place in other sectors as accountancy and law, where AI-based challengers seem to make their appearance e.g. the 'digital accountant' (FD, September 1, 2018) and the 'robot judge' (Volkskrant, October 14, 2017). Computer-based applications taking over practical aspects of work may pose a threat to professional status. For a vocation to be recognised as profession, "it must contain the right balance between application of technique and the exercise of personal judgement" (Bellis, 2000).

On the second point, (structural) autonomy, it has been pointed out that since the 1990s, international harmonisation of valuation standards has gained momentum. In the EU, this includes increasing harmonisation and standardisation of valuation principles, procedures and reporting between countries (Hordijk and Condit, 1997; MacParland et al., 2002). Also important in this regard was the call for harmonisation from the international banking community in the 1990s, through the medium of the Basel Committee, due to the large number of loans that are secured on real estate (Eriksson et al., 2005). Harmonisation of international valuation standards continued in the aftermath of the 2007-2009 financial crisis (Berkhout et al., 2018), although the pace of professionalisation of the valuation community differs by country. This is attributed to the local nature of real estate market evolution over time, and local differences in organisational and institutional settings. The UK for instance has a long history of university-based valuation education and incorporation of chartered surveyors into the profession by Royal Charter through the RICS (Morgan, 1998). Germany however has a different tradition, as valuation has long been regarded locally as an area of work that can be carried out adequately by architects, building engineers and land surveyors (rather than practitioners of a separate profession; Morgan, 1998). In the USA, despite progress in educational standards and strengthened relationships with universities, national licensing did not become manifest until the implementation of State Certification of all valuers in the 1980s (Gilbertson and Preston, 2005). As discussed, in the Netherlands the valuation community has obtained its own register with the instigation of NRVt in 2015, which monitors regulating of entry, professional conduct and disciplinary proceedings (NRVT, 2020). As such, structural aspects of autonomy have been strengthened in the Netherlands, albeit since a short period.

Finally, on service ideal, it can be noted that, generally speaking, property valuation shall not serve a (direct) humanitarian purpose. While stabilised financial markets and monetary systems are of significant public interest, it is notably different from humanitarian related activities such as care, justice or safety. At best, one could argue that malpractice in valuation may trigger

economic consequences that in turn affect individual well-being (such as unemployment, reduction of pension savings or house prices, et cetera). As such, property valuation may be perceived to serve economic-induced wellbeing of society.

In summary of the above, in many Western countries valuation may be best typified as a semi-or quasi-profession, reflecting classic aspects of regulation and public interest, yet lacking a lengthy scientific base and a direct humanitarian service ideal. A semi-professional status coincides with the general view that professions may vary in quality and professional status, as a reflection of the fact that occupations differ in their makeup and strength (Lawson, 2004). Particularly, the makeup of commercial real estate valuation is such that while it denotes a public interest, most of its participants and their clients operate in private market settings that are directed by commercial interests. The next part of this chapter therefore presents a commercial perspective on valuation practice, entailing aspects of commercial influences on professions in general and in peer professions to valuation in more detail.

2.2 A commercial view on valuation

This part sets out how increasing commercialism affected client orientation in many professions, and specifically within the context of professional service firm sectors (PSF), which includes real estate valuation.

Increasing market orientation

Towards the end of the 20th century, profit and non-profit service sectors increasingly faced a market-orientated landscape that changed traditional ways of business and service delivery. Globalisation of capital and the proliferation of information technology are factors that contributed to increasing uncertainty and pace of change for many profit organisations in the private sector (e.g. Drucker, 1989; Fournier, 1999). Increasing market-led competition called for more flexible forms of organisation, due to free non-regulated access to various information sources and databases (Parker 2007; Greenwood and Lachman, 1996). At the same time, governments in a number of Western societies aimed to improve efficiency and effectiveness in the public sector. Deregulation and privatisation of (former) publicly led organisations was initiated in the 1970s in Western societies and elsewhere based on principles of what is referred to as 'new public management': stronger flexibilisation in the labour force, more competition among potential providers of public services and greater emphasis on incentivisation through performance management (Dunleavy et al., 2006). The introduction of demand-led market discipline would ensure that the public would be provided with efficient and effective service at competitive prices (Crompton, 1990).

Despite historic notions of a social service ethic, professions have not been immune to such trends of organisational, economic and political change (Crompton, 1990; Greenwood and Lachman, 1996; Reed, 1996). Globalisation and digitalisation led to more competition, in which flexibility is essential for the survival of various labour forces. Within this context of flexibility, and the broader era of decentralisation and pressure for innovation, performance requirements were expanding (Parker, 2007). Professions, unlike businesses, are pledged to protect those in need or in vulnerable situations. Yet like businesses, professions have been increasingly exposed in recent decades to market-led criteria such as budget control, quality audits and marketability of services (Fournier, 1999; Power, 2000). As such the traditional structures of professional life, such as controlled markets for professional services and practice standards, were increasingly being perceived as old-fashioned or outdated (Sullivan, 2005). Professions seemed to struggle with accountability of professional service. Some professions, such as medical doctors, sought to protect their 'professionalism' by distancing themselves from managerialism and increasing bureaucratisation (Fournier, 1999). In this regard, Freidson noted a 'moral erosion' of professions following specialisation of labour that turned practitioners into merely technical executors of defined tasks and goals (Freidson, 2001). Other professions, such as accountants, have successfully renegotiated the terms of their professional practice along the lines of commercialism and enterprise (Hanlon, 1996). As Sullivan put it, professions needed to fit themselves into a globalising capitalism-based future that is based upon information and communications technology (Sullivan, 2005).

In view of this changing landscape, Hanlon (1998) points to a competing notion to challenge the classic social service ethic of professions, which he coins 'commercial' professionalism.⁸ This view of professionalism stresses the need for practitioners to possess managerial and entrepreneurial skills as well, besides a traditional technical ability focusing on the service itself. While managerial skills involve the capacity to manage (other) employees, balance budgets and manage and satisfy clients; entrepreneurial skills relate to the ability to act innovatively and bring in future business. The extent to which one has developed all three types of skills determines how successful one will be in the profession. Hanlon (1998) adds that in the private sector this has manifested itself through the desire of corporations to force their professional advisors to compete with each other, to rein in their fees, and to demand that services are tailored to the client's organisational needs. In the public sector, it manifested itself in the attempt by the state to control costs in health service, legal aid, education and the civil service. The key thrust of these reforms has been to make the professionals more accountable for their work and to enforce financial and managerial discipline upon them. That is, to commercialise them by introducing quasi-markets.

8 Professionalism is viewed here at macro-level and is defined in terms of growth of vocation towards an ideal type of profession and creating a professional culture (cf. Noordegraaf, 2007, p.765; Evans, 2008).

As such, a commercial, i.e. market-led orientation on professionalism seems to materialise throughout sectors in society, albeit at varying pace and in different contexts.

Rise of professional service firms

Along with increased flexibility came an organisational need for greater control of profitability or costs in a competitive world. This need for financial control provided ample opportunities to various sectors of the labour market, especially those who provide services that help to manage an increasingly complex global capitalist system (Crompton, 1990). This includes sectors that serve corporates and producers rather than individual consumers, i.e. professional service firms (PSFs), such as auditing, law, engineering, banking, management consultancy, insurance, marketing, advertising, et cetera. The advice of such PSF sectors enable their clients to operate more efficiently, i.e. more profitably in competitive and globalised market settings. Hence, the PSF sector expanded rapidly since the 1980s. Although there are different understandings of the concept of a professional service firm, a key aspect of such a firm is knowledge intense work based on the mastery of a particular expertise. This in turn implies that such knowledge intensive firms may display greater decentralisation, and its members may enjoy relatively more autonomy in decision-making, than traditional firms (Von Nordenflycht, 2010). A broad definition of PSF would then be “any firm reliant [for organisational survival purposes] on a workforce with substantial expertise” (Von Nordenflycht, 2010, p.155). However, as sociologists would generally distinguish professions from occupations, the narrow conceptualisation of PSF would include those knowledge intensive firms that ground their work on ideology and self-regulation. Some of the PSF sectors that have historically been acknowledged as professions include engineering and law (Wilensky, 1964). Following World War II, this status was also increasingly assigned to the practice of auditing as well, for their role as public watchdog for fraudulent activity (Wilensky, 1964; Öhman and Wallerstedt, 2012). In view of the public service ideal and knowledge intensity of work as elaborated, arguably real estate valuation may fit the narrow PSF definition as well.

The market-orientated landscape generated strong growth to PSF sectors in general. However, it also stirred competition for clients between and within PSF sectors, due to expansion of services. Key in identifying new business opportunities and surviving PSF competition was perceived to be a constant and integral focus on client orientation such that “customers and firms may share interdependencies, values and strategies over the long term” (Levy and Lee, 2009, p.90). Direct client contact is highly valued as a means to collect information about client needs and service satisfaction in PSF settings. Employees have been increasingly positioned as autonomous and empowered to ‘own’ customer problems and display appropriate responses (Fournier, 1999). This empowerment coincides with a loosening interpretation of professional behaviour in PSF settings, in which being a professional is not merely about absorbing a body of scientific knowledge and moral judgement quality, but also about conducting and constituting oneself in an appropriate, client-orientated manner. It is a perception on professional behaviour

that appealed in many PSF sectors, where adhering to professional-like norms and work ethics that emphasised client orientation has gained importance (Anderson-Gough et al., 2000; Bévort and Suddaby, 2016). This looser approach to professionalism seems an important reason for the recent growth of PSF firms in general and of the audit sector specifically (Von Nordenflycht, 2010).

Accounting firms seem exemplary of the rise of PSFs in recent decades. In the late 1980s, the structure of such firms, which so far primarily provided audit services, significantly changed. Information technology allowed clients access to knowledge that was previously held exclusively by accountants. As a consequence, clients became more knowledgeable, and, in line with modern times, became more critical on justification of performance and fees. In addition, switching audit firms occurred more often, increasing inter-company competition. Consequently, the market place for auditors became increasingly competitive, which challenged the traditional auditor-client relationship, and the power the former had over the latter (Greenwood and Lachman, 1996). However, modern times also provided opportunities for ‘new territories’ for accounting firms, although these opportunities were predominantly signalled in non-audit departments of these firms which sold financial advisory and management consultancy activities (Spence and Carter, 2014). Illustrative in this regard is that fee income for the UK largest accountancy firms had risen by roughly 700% in the 1982-1994 period; yet the fee share of auditing activity reduced from 70% to 40% during this period (Hanlon, 1996, p.342).

The analogy between valuation and audit

In respect of the above changing concept of professionalism, it should be noted that the nature and content of valuation work is very much similar to the practice of auditing. During the 1980s, at a time when some were beginning to refer to valuation as a profession (Jaffe, 1988), the community logically started comparing itself to other professions. Increasingly, it looked towards auditing as its role model for different reasons, which are stated below.

First, there are clear process similarities. Both auditing and valuation follow a three-step process of scope setting, gathering and valuation evidence and reporting (Ronen, 2010). While the scope of work, level of complexity and staffing needs may differ – firm auditing will usually outrange property valuation on all three levels – both practices essentially involve the reporting of an independent opinion, based on a defined scope of work and evaluation of various informational sources that in part relate to the client.

Second, the valuer’s position to the client resembles that of an external auditor. Both perform services on a periodic basis to a client and as such are hired for a temporary period of time. Both valuers and auditors operate in a highly competitive environment in order to secure client instructions, which provides clients with an alleged bargaining position in terms of “hire and fire” power (Ponemon and Gabhart, 1990, p.229). At the same time, both auditors and valuers

may need to assess their client's (firm/property) assets in a manner that could harm the client management's interests (Windsor and Ashkanasy, 1995). The trends towards globalisation and economies of scale in accountancy (i.e. concentration of the 'Big Four' firms) is observable in real estate as well, where a few large service firms tend to dominate global client service provision.

Third, valuers and accountants share a similar position in society towards stakeholders. As Sikka points out, accountants [valuers] use their expertise to "mediate uncertainty and construct an independent and objective opinion of the client's affairs to enable markets, investors, citizens and the state to limit and manage risks" (Sikka, 2009, p.3). As such, firm audits and real estate value assessments are both expected to provide some comfort and reassurance to (potential) stakeholders based on financial interests involved.

Thus, the practice of commercial real estate valuation resembles that of auditing in a number of ways. It follows that given these similarities, the valuation community as a PSF industry is faced with comparable challenges in today's market place, such as the impact of commercialisation on the classic notions of judgement autonomy.

2.3 Impact of commercialism on professional's judgement autonomy

The changing notion of the concept of professionalism affected the traditional professional-client relationship throughout professions. Generally, power was shifted from professionals towards clients, and hence weakened the professional's autonomy and discretion in different ways.

First, in PSF sectors, professional success was no longer (solely) related to professional judgement quality, but also to securing client satisfaction and bringing in new clients in view of competition. In response to increased commercialisation of accounting and other PSF firms, the classic notion of professionalism (i.e. performing a task for the public good) increasingly became challenged or pressured by a different notion of professionalism: doing a good job in the eyes of the person paying for the work. In order to deal with increasing client power and competition, changes have been observed in the underlying logic of action of such professional organisations (Lengnick-Hall, 1996). Gendron studied logics of action of Canadian auditors and distinguished a traditional, technical-professional logic from an upcoming commercial-orientated professional logic.⁹ The technical-professional logic, which is understood primarily in terms of adherence to codes of conduct, independence and public service ethic, is increasingly being challenged, or in

9 What is referred to here is an institutional-based logic, defined by Thornton and Ocasio (1999) as "the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality" (p.804).

some instances overtaken, by a commercial-orientated professional logic focusing on revenue generation, winning and retaining clients and business development in PSF sectors (Gendron, 2002). This development implied that professionals were challenged to increasingly behave in accordance with this commercial way of thinking, affecting judgement autonomy associated with classic logic aspects as independence (Spence and Carter, 2014).¹⁰

Second, the need for professionals to retain a (happy) client grants that same client with the power to tailor professional service to one's needs, which may include aspects of efficiency and cost consciousness. Hence, clients underwent an attitudinal change towards professionals, from passively trusting a professional's judgement into questioning of (the soundness of) judgements, to learn and convince oneself of its appropriateness in times of demand-led markets (Greenwood and Lachman, 1996; Hanlon, 1998). Moreover, the client's perspective of the professional may have narrowed towards a view of the expert for hire for the exercise of specialised knowledge. This development has led to the notion of a 'technical' view towards professionalism (Sullivan, 2005).¹¹ Hanlon (1996) notes how commercialisation of (PSF) professions may narrow the perception of professionalism down towards a prism of 'keeping the client happy'. It implies that business professions such as auditing and valuation risk to be viewed merely as service providers who enjoy a relatively protected market position (Crompton, 1990). In valuation, ongoing technical evaluation of practice, as has been noted before, may reinforce doubts over its professional status and autonomy. If intellectual skill is becoming an objectivised technique, computers could replace human professionals. This would imply a risk for the valuation expert to be regarded merely as a technician instead of a professional (Bellis, 2000).

In short, the gradual commercialisation of many (PSF) professions led to an extension of the concept of client orientation, to a level that transcends a desire to serve and advice clients in need of expertise. The ability to retain client relationships and secure future instructions in competitive market settings emerged as a core theme of professionalism in PSF sectors. As such, the professional-client relation underwent changes, which in turn affects the perceived autonomy of professionals as elaborated. From traditional focus on judgement quality and task performance in relation to client needs, the client itself has become an authority or stakeholder

10 The coexistence of multiple logics that guide professional behaviour has also been noticed in other PSF sectors such as law (Faulconbridge and Muzio, 2008), and outside PSFs in professions as health care (Kurunmäki, 2004). However, the impact of commercial notions of professionalism may vary across PSF settings depending on the nature of work or organisational setting (Lander et al. 2013; Noordegraaf, 2007).

11 Sullivan differentiates in this regard 'civic professionalism' from 'technical professionalism'. While the former entails social reciprocity between professionals and the public based on moral grounds to the creation of a good and just society, the latter, at its extreme, may lead to the deformation of the professional as simply the expert for hire for the exercise of specialised knowledge (Sullivan, 2005, p.80).

that may decide on renewal of the delivered service. In view of these developments, this PhD research examines effects of client orientation on professional judgement autonomy in the case of Dutch valuation practitioners. The research design that guides this examination is described and explained in the next chapter.

3



Research orientation

3.1 Research paradigms in real estate and valuation

In order to position this PhD research within the context of the current knowledge base on valuer judgement, I start with an introduction on prevailing research paradigms in the field of real estate valuation as well as the contribution of behavioural research to this field so far.

Real estate in general and valuation discipline specifically have been traditionally dominated by a financial-economic orientation and a positivist paradigm that is based on assumptions of objectivity, validity and generalisability (Wofford et al., 2010; DeLisle and Grissom, 2011). This orientation originates in conventional economic and finance theories, developed between the 1960s and 1980s. Such theories are based on assumptions of 'efficient' financial markets and 'rational' decision-making behaviour of investors in order to minimise risks and maximise returns (Artemenkov et al., 2008). Levy and Henry illustrate the financial-orientated research dominance in this era by examining over 250 papers in leading global real estate journals between 1991-2000. The majority of papers (84%) took a positivist standpoint to their research, with 57% of articles using econometric models in applied methods (Levy and Henry, 2003).

The dominance of a particular paradigm may help to stimulate knowledge production by focussing research activity in terms of framing problem definition, methodology and interpretation of results (Wofford et al., 2010). Yet a particular dominance of any paradigm in real estate research may be surprising, considering the broad area of academic fields involved. Real estate research sections may be organised in departments of finance, economic geography, urban planning, engineering, or alternatively may be organised as a stand-alone department (Black et al., 2003). Wofford attributes this traditional finance dominance in real estate research to the significant financial interests and associated risks of many market participants (i.e. investors, developers, financiers), as well as availability of rich databases of those participants for research purposes that facilitate for instance price forecasting studies (Wofford et al., 2010). For similar reasons, the finance perspective also dominated valuation research.

In the 1990s, a behavioural perspective was gradually introduced in valuation research. Emerged in the 1970s and 1980s, behavioural research migrated from cognitive psychology to economics and, subsequently, to finance. As such, this perspective also influenced a number of real estate academics. Influential pioneers were Newell and Simon (1972) whose research perceived the human mind as a serial information processor that, because of limited capacities, must seek efficiency when solving problems (Newell and Simon, 1972). This search for efficiency leads to the use of cognitive shortcuts called 'heuristics'. The use of these shortcuts can in turn cause errors and biases in judgement. The pioneering work on the use of cognitive shortcuts was performed by Tversky and Kahneman who identified various types of heuristics that humans routinely used

when making judgements¹² (Kahneman and Tversky, 1972; Tversky and Kahneman, 1974). The combined work of these scholars laid the foundation of much of the behavioural research in many disciplines, including real estate valuation (Wofford et al. 2010; Diaz, 1999). With the introduction of behavioural research, the field of real estate increasingly was perceived as an ‘organism’; a dynamic system of interrelated economic activity between lenders, investors, entrepreneurs and other actors (i.e. ‘agents’). Using this constitution as a framework, denoted as ‘the valuation activities model’ (Diaz, 1993), the aim of behavioural research in valuation became to study real-life economic behaviour of relevant actors, based on theories of human information-processing, judgement and decision-making (Diaz and Hansz, 2007; Wyman et al., 2011).

From 1990 onwards, a number of studies on behavioural themes in valuation have appeared. In general, this research involved three themes: i) actual versus prescribed valuation process execution (e.g. Diaz, 1990a; 1990b; Gallimore, 1996); ii) judgement bias in view of heuristics (e.g. Diaz and Hansz, 1997; Cypher and Hansz, 2003); and iii) the impact of client feedback on valuation outcomes (e.g. Kinnard et al., 1997; Levy and Schuck, 1999; 2005). In conducting such research, two methods have been particularly popular in research designs: field surveys and controlled experiments. The field survey was perceived suitable for revealing attitudes and opinions of valuers, for instance regarding valuer-client relationships and the occurrence of client pressure. Controlled experiments have been popular for the benefit of collecting evidence of causality between some exogenous factor (i.e. client feedback, or information on pending sales price) and the subsequent value assessment decision. To a lesser extent, intensive interviews, noted as “a variation on the field survey” (Diaz and Hansz, 2007, p.22), and process tracing protocols have been used as well (Black et al., 2003).

As such, it appears that behavioural research performed in the early days continue to reflect positivist research criteria of validity and generalisability. Behavioural research designs that adopted an interpretative perspective, i.e. examining valuer’s experiences and interpretations of client influence effects, seem relatively scarce (e.g. McAllister et al., 2003; Levy and Schuck, 1999; 2005). The scarcity of client-related judgement effects is also noticeable in the Netherlands, which is traditionally home to some of the largest real estate investors globally and is generally considered a mature and transparent real estate market in Europe (JLL, 2016). Yet as pointed out in chapter 1, the literature on Dutch valuer behaviour is limited, especially in relation to client aspects (Niemeijer, 2014; Van der Werf and Huibers, 2015). Research efforts seem to concentrate on more general aspects of valuation accuracy in relation to judgement behaviour (e.g. Smit and Vos, 2003; Naber, 2017; Pijl, 2017; Gijsbers, 2019).

12 Well-known heuristics include for example recency bias (i.e. the tendency to rely on recent information in judgement) and confirmation bias (i.e. the tendency to seek and rely on information in line with one’s beliefs). Relevant heuristics in valuation judgement will be discussed in chapter 4).

Generally, it seems as though in the finance-orientated discipline of valuation, the prevailing view on valuer behaviour is one that tends to perceive human cognition as a risk that may trigger inefficient behaviour of actors. Such 'cognitive risk' needs examination in order to be managed as a source of deviation from rationality (Wofford et al., 2010). The purpose of such research seems to reflect a desire to improve rationality in actor behaviour rather than discovering and understanding behavioural patterns in valuer judgement. It may be reason why behavioural research in valuation has remained somewhat subdued, as far as client interaction patterns are concerned, and why after 2010 the interest of behavioural research on client impact seems to have moved on to other aspects of valuation accuracy, such as data-related uncertainty in valuation and complexity in information processing (e.g. Kucharska-Stasiak, 2013; Bellman, 2018; Amidu et al., 2019). However, in line with the current commercialism in many professions, as set out in chapter 2, the topic of client-induced judgement behaviour requires further attention both internationally as well as in the Netherlands. As elaborated in chapter 2, client orientation increasingly challenges technical/functional aspects of professional work. In valuation, client influence has been known to affect professional judgement as well (e.g. Havard, 2001b; Diaz, 2002; Crosby et al., 2010). Hence the need for improving valuation accuracy from this perspective remains. In fact, it may be argued that its importance rather *increases*. As financial markets continue to integrate internationally, financial interests of valuation beneficiaries may become increasingly sensitive to disruptions in other markets. In this regard, it was pointed out that real estate has historically been an important aspect of economic bust periods.

While the occurrence of client pressure and its effect on valuer judgement autonomy has drawn research attention, a sense of why and how such effects materialise is an under-researched area (Taltavull de la Paz and McGreal, 2006). Examination of the relationship between valuer and client should contribute towards a better understanding of how this relationship may affect professional judgement of valuation practitioners (i.e. in view of public duty). As pointed out in chapter 1, such insights may be used to strengthen current and future valuer judgement competences in view of client influence, for instance through incorporating such insights into curricula of relevant education programs. Hence, the aim of this PhD research in 2016 has been to examine how client orientation may affect professional judgement autonomy of valuers during valuation practice.

3.2 Research design

Below the process of research is described as it emerged during the course of this PhD project. At the start, it was envisaged that this PhD research would consist of several individual studies that address relevant aspects of client orientation. In total this thesis includes five studies, that have been undertaken consecutively, so that outcomes of one study could be used to provide relevant input into subsequent areas of research. Each study is outlined in a paper that was

submitted for peer review in acknowledged international real estate journals. The research process is described hereafter.

Study 1: Current knowledge base on valuer judgement bias

As a starting point, the available literature on client-related bias was examined in order to identify useful insights and references to which subsequent empirical research parts of this thesis could relate. The first study therefore contains an overview of client pressure effects on valuer judgement autonomy, which appeared to be absent in the scientific knowledge base so far. The aim of this study is to gather a precise understanding of such effects, its circumstances and its robustness. For this purpose, a 30-year systematic literature review of international peer-reviewed studies on valuer judgement bias was conducted in 2016. The study compares and analyses research context, methodology, and significance of results of 32 papers that were deemed relevant for this purpose. Its results are described in chapter 4.

In preparation of the empirical studies that would follow this literature study, it was observed that most behavioural research contributions analysed in the literature review were based on two theories. One is the Brunswik 1956 lens model, a framework that has been used to examine judgements of professionals using a set of environment cues. This model has been used in various fields, including valuation (e.g. Amidu et al., 2008; Wolverton and Gallimore, 1999). The other is Tversky and Kahneman's heuristics theory (1974) which is used to test for judgement bias (e.g. Havard, 2001a; Wolverton, 2000). However, prior to its application in valuation, both theories had also drawn research attention in behavioural research in the auditing field during the 1970s and early 1980s (Trotman, 2005). In relation to the analogies between auditing and valuation as described in chapter 2, it seemed plausible that judgement and decision-making research in auditing and valuation have comparable enquiries and therefore may use similar theoretical concepts. Therefore, consideration of a relevant theoretical framework for this PhD research would benefit from examination of judgement-based research in the field of auditing, as such knowledge appeared to be unavailable in the (smaller) field of valuation. Behavioural research has been an important topic in auditing since 1970, with 575 noted behavioural papers in the five main accounting global journals since (Trotman et al., 2011).

Study 2: Task complexity in commercial valuation practice

It was envisaged that empirical examination would start with an exploration of areas of uncertainty in different parts of commercial real estate valuation practice that would require practitioner's judgement. Consideration of behavioural auditing literature in relation to this purpose led to the concept of task complexity as a useful theoretical approach. The theory of task complexity is used to examine judgemental tasks in Dutch valuation processes that require cognitive effort. Such task-related complexity is viewed as an important factor to explain judgement behaviour, especially in information-rich work settings that often involves non-routine

work (e.g. consulting, law, finance et cetera; Funke, 2010). Overall, task complexity is known to have a negative effect on judgement accuracy, that is, increasing complexity would reduce judgement accuracy (Bonner, 2008; Campbell, 1988).

The aim of this study was to explore the manifestation of task complexity in Dutch valuation practice and its main stimuli. The latter may relate to the task itself or to external stimuli in the task environment that may or may not be taken into account. Using a grounded theory approach, 18 interviews with various types of Dutch valuation professionals were undertaken in 2017 to explore elements of task complexity, impact of environment stimuli and associated responses of participants. This study was undertaken based on the following research question: “What are perceived elements of task complexity in Dutch commercial valuation practice and how do experienced valuation professionals deal with these perceived elements of complexity?”

Study 3: Client attachment in information verification

An important element of task complexity is information verification. The preceding study pointed out that valuers have to decide on the effort of verification required to sufficiently sustain their value assessments. Such verification may imply the examination of non-factual or ambiguous data on market or property circumstances that may be sensitive to or negatively affect client interests. Review of the audit literature on information verification has led to the use of the concept of ‘professional scepticism’, which comprises the propensity of an individual to defer concluding until the evidence provides sufficient support, while disregarding ‘irrelevant’ information (Hurt, 2010). Scepticism requires both a questioning mind and critical assessment of relevant evidence and is as such an important attribute in information-rich settings (Shaub and Lawrence, 2002). However, verification effort also has a judgemental connotation to itself, i.e. the effort of verification may range from light (or ‘naive’) to severe (or ‘sceptical’).

The purpose of this study is to explore and analyse client orientation in information verification. This study was guided by the following research question: “How can professional features as work experience and job position affect information verification effort of valuers?” For this purpose a case-based survey has been designed, which was distributed among Dutch commercial valuation practitioners in 2018 and provided 290 useable responses. Verification effort is related to hypotheses used to identify the relevance of professional work setting in this matter.

Study 4: Ideal typologies in valuation practice

As the study on professional scepticism expressed the manifestation of client power in valuation practice, subsequent attention was directed towards the theory of institutional logics. This theory is used to advance understanding of how competing logics of action may affect a professional’s viewpoint to good work. Institutional logics originally stem from institutional theory, emphasising institutional explanations (i.e. social patterns of interaction) to explain actor behaviour (Thornton

and Ocasio, 2008). The concept has been used to describe changing ideas of professionalism over time (Thornton, 2002) or express how different logics may conflict in work contexts (Qiu et al., 2011) and is used in a variety of fields ranging from PSF sectors (i.e. auditing, law) to haute cuisine or the publishing industry (Spence and Carter, 2014; Faulconbridge and Muzio, 2008; Ocasio et al., 2017).

In the context of this PhD research, the theory of institutional logics is used to disclose prevailing logics in Dutch valuation practice and associated norms that such logics may impose on practitioners. For this purpose, a (second) grounded theory study is performed to examine practitioners' views of 'preferred' professional behaviour. Furthermore, the study aimed to reveal how prevailing logics materialise in daily practice. This led to the construct of ideal-type profiles of valuation professionals. For this purpose, a series of 20 in-depth interviews with senior Dutch valuation practitioners has been undertaken in 2019.

Study 5: Role orientation of valuation professionals

Following identification of governing logics, the final study aimed to examine role orientation in view of those logics. Role orientation helps practitioners to understand their role and effective approaches to tasks, goals and problems in view of relevant stakeholders (Parker, 2007; Sluss et al., 2011). In this context, the concept is used to examine how practitioners perceive their role in view of prevailing logics in Dutch valuation practice.

Using three associated ideal types that have been identified in a previous study, study 5 provides an understanding of role preference in Dutch valuation community using the following research question: "How do commercial real estate valuers perceive their professional role in relation to relevant stakeholders? For this aim, an online survey was performed in 2020 that gathered indications of role orientations of 151 valuers in relation to various authoritative pressures. To improve understanding of such role perception, hypotheses testing was used to identify patterns in role orientation vis-à-vis professional work settings.

The entire research design is visualised in Table 1. Aspects of methodology will be elaborated in section 3.3.

Table 1 Research overview

Research design: Insight into how client orientation may affect valuer's judgement reasoning through examination of different aspects of professional autonomy					
	Study 1	Study 2	Study 3	Study 4	Study 5
Theory	Judgement bias studies	Task complexity	Professional scepticism	Ideal typologies	Role orientation
Method	State of the art through a systematic review	Theory building using a grounding theory approach	Theory testing through a case-based survey	Theory building through a grounded theory approach	Theory testing using a questionnaire survey
Period	2016	2017	2018	2019	2020
Study aim	Robustness of / consistency in judgement bias literature	Task complexity aspects in view of task environment	Professional scepticism in relation to work setting	Identification of ideal-type valuers in view of stakeholders	Role orientation versus work setting

During the course of this project, two research perspectives have materialised. The first perspective is a task perspective, which studies how client orientation may emerge in judgement reasoning in daily practice. The concepts of task complexity and professional scepticism may be perceived as relevant parts of a task perspective imposed on client orientation. The use of a task perspective illustrates how client orientation may affect judgement complexity in daily practice (study 2) as well as in the specific execution of information verification (study 3). However, the latter revealed the presence of environmental powers at individual valuer levels. The notions of institutional logics (study 4) and role orientation (study 5) can be regarded as illustrative of a role perspective to client orientation, in order to examine how valuers perceive their position as a professional vis-à-vis clients and other stakeholders. As such, the role perspective emerged as a second perspective during this project. By using both perspectives, this research examines client orientation at different levels, and hence may shed light on its magnitude in relation to judgement reasoning. As such, this PhD research aimed to present a comprehensive view on the manifestation of client orientation in Dutch valuation.

It should be noted, that examination of the various related themes within the context of one research project may have some research implications. This PhD project is structured as a series of related papers, each one reflecting a specific behavioural theme that is based on a distinctive field study. As such, it does not offer an in-depth examination of a particular judgemental aspect over time or by using different research angles. However, the examination of a number of autonomy-related aspects may present various future research opportunities and serve as a stimulus to additional client-related behavioural research in valuation.

3.3 Methodology

Thorough examination of client orientation from a valuer perspective requires an explorative and interpretative approach, in order to disclose reasoning patterns in view of environmental influences or social contexts (Smaling and De Boer, 2011). In line with this approach, I chose a combination of grounded theory and survey methodology. Grounded theory methodology is perceived here as an appropriate qualitative approach to induce human experience and conceptualise its meaning into a general theory applicable to the context of Dutch valuers. Furthermore, grounded theory (GT) is suitable in case existing relevant theories seem either absent, outdated or unfit for the purpose. As such, GT fits well into an emergent research design (De Lange et al., 2016). However, knowledge production may elicit both inductive theory development and deductive theory testing. For the latter, survey methodology is used in order to stimulate generalisation of findings. Besides generalisation of findings to some extent, quantitative research may serve another purpose. Qualitative methods such as interviews allow for elaboration on matters that participants are aware of and can put into words; yet quantitative methods allow for revealing patterns in behaviour, through statistical analysis, of which respondents may be unaware. Therefore, in the context of this PhD project, survey research is perceived as a complementary methodology in addressing the perceived knowledge gap on client-induced judgement reasoning of valuation professionals.

Grounded theory methodology

Grounded theory featured as an important methodology in realisation of this PhD research, as existing, relevant theories on the valuer-client relationship in the Netherlands are insignificant. The aim of grounded theory is to develop “a well-integrated set of concepts that provide a thorough theoretical explanation of social phenomena under study” (Corbin and Strauss, 1990, p.5). GT methodology is built on the principle that actor’s judgement and decision-making is based on perceptions of behavioural options one encounters in view of (changing) circumstances. Thus, GT seeks to uncover such choices and relevant conditions, leading to the emergence of theories that describe and explain social phenomena (Corbin and Strauss, 1990). This is deemed useful in examining client orientation and its effects on judgement reasoning.

The process of developing theories from raw data using GT is based on a number of procedures, some of which are mentioned here. An important procedure is theoretical sampling, which involves the collection and comparison of information on concepts and indicators that describe phenomena and their properties, dimensions and variations. Another important aspect is the constant comparison of field data, involving the continuous comparison of information on incidents from field data with each other for similarities and differences right from the start of data collection. Third, the use of analytical coding schemes is imposed, which guides the interpretative process by which data are broken down and analysed. The use of coding schemes is alleged to be an important reason for the establishment of GT as a generally accepted qualitative

research perspective (De Boer, 2011). The first stage, open coding, involves the breaking down, labelling and regrouping of data into concepts based on similar characteristics. Next, axial coding relates to identifying and refining a core category of concepts in which all data fit. Then, selective coding is aimed at raising core categories to a higher level of abstraction that describes and explains its manifestation and interrelationships to other categories in a comprehensive way, i.e. the grounding of theory from emergent data. Using these and other procedures, GT provides a methodology by which phenomena can be studied, analysed and theorised (Verschuren en Doorewaard, 2015).

Since its inception in 1967 by Glaser and Strauss, the specifics of grounded theory procedures and methodological viewpoints have evolved over time in different directions. For the subject's research aim, I discuss the three GT approaches of Glaser; Corbin and Strauss; and Charmaz. These approaches imply some methodological (and philosophical) differences. Glaser viewed the grounded theory researcher as a neutral, distant inquirer and observer who, in abeyance of preceding personal knowledge or experience, objectively recognises patterns in data and so 'discovers' the theory that describes the reality. Neutrality of the researcher is key to prevent the researcher's own views to bias the theoretical development. As such, Glaser's approach is argued to take a positivist research stance (Singh and Estefan, 2018). The approach of Corbin and Strauss (1990; 2008) to GT methodology implies a more post-positivist position than Glaser. Corbin and Strauss aimed to depict a close representation of reality through maintaining a practical yet somewhat neutral stance. They accept the inevitable influence of a researcher's subjectivity in the research process, yet attempt to reduce subjective bias by advocating a systematic approach of analysis, using extensive coding schemes and sampling procedures. Finally, Charmaz espoused a constructivist perspective to GT, in which reality is a function and outcome of interpretation and human interaction around a given phenomenon (Singh and Estefan, 2018). Charmaz (2008) encourages researchers to engage in a creative process of theory development through a co-constructed endeavour between researcher and participants, in which theory can emerge. Additional tools besides coding are stimulated, such as abductive reasoning (i.e. engaging on intuitive and creative ideas that may explain unanswered observations). The researcher is stimulated to use personal expertise and experience to enhance one's 'theoretical sensitivity', i.e. one's ability to see, define and express phenomena and their interrelationships.

In this PhD project, I have relied on both Charmaz's and Corbin and Strauss's approach of GT. Charmaz's approach advocates the use of creativity, such as the use of extant literature, to enrich data analysis. This approach connects to the emerging design of the subject research, in which relevant aspects of behavioural themes from examined PSF literature support the study of client orientation aspects in valuation. On the other hand, Charmaz's coding scheme used to analyse raw data is not as elaborate as the schemes advocated by Strauss and Corbin. Charmaz puts relatively more weight on aspects of co-construction and personal knowledge as additional

corner stones of analysis (Singh and Estefan, 2018). Corbin and Strauss favour a more structured system using open, axial and selective coding phases, which provides a clear instruction for data analysis, as elaborated before. The latter coding structure was preferred in this research, due to its use for researchers who are relatively new to GT research (De Beer and Brysiewicz, 2016).

Survey methodology

Survey-based research is an often-used methodology to analyse preferences and opinions of a large sample in relation to factual information (e.g. work settings). It offers the option of examining relations between relevant variables in a statistical manner, and generates some level of external validity (i.e. representation) to results obtained. However, this is dependent on the extent to which the sample represents the full population under study (Visser et al., 2014). Closely related is its advantage of efficiency in largescale data collection (Baarda en De Goede, 2006). However, surveys are also known to have some shortfalls, especially in social sciences, which may affect the internal validity of surveys when examining social behaviour patterns. First, surveys are criticised for oversimplification of social reality. The design of questionnaires, often with pre-conceived answer categories, may reflect a static image or snapshot of what is, in reality, an interactive and dynamic process. In conjunction with this, respondents may suffer a lower motivation or willingness to respond accurately when one cannot relate to 'the bigger picture'. As such, respondent behaviour (i.e. truth telling) may be an asserted source of bias (Visser et al., 2014). To some extent, this may be offset by the anonymous setting of survey research, allowing the participant to 'speak freely' without risk of traceability of statements (Scheepers et al., 2016). Finally, while cause-effect claims may be statistically producible to an extent beyond respondent's awareness, survey research techniques do require a certain level of topical knowledge of the researcher, to offset potential bias risk in the validity of the survey construct (Visser et al., 2014). Overall, surveys have generalisation potential, yet may seem less effective to the study of sensitive or controversial subjects.

In the context of this PhD project, I have intended to overcome survey weaknesses by combining survey methods with preceding grounded theory-oriented research, in order to address some of the validity-associated risks of survey research. As such, content and construct of applied surveys are related to recent social reality perceptions obtained from members of the same population. The combination of grounded theory and survey methodology may stimulate knowledge production in a field that lacks adequate insights in the subject matter. While grounded theory may contribute to inductive theory development, by examination of practitioners (conscious) judgement reasoning patterns, the use of survey may contribute to deductive theory testing and discovery of patterns that practitioners may be unaware of. The combination of methodology is aimed to generate a wider acceptance of its results and recommendations, both academically and practically.

Validity risks

In terms of research validity risks, two types of generic bias risks have been considered during the context of this PhD research. First, in examining judgement reasoning, the outcomes may suffer from participant-related bias. More specifically, this implies social desirability bias, i.e. inaccurate answering on (socially) sensitive matters to present oneself in the best possible light (Verschuren en Doorewaard, 2015). As practitioners have become aware of regulative concerns over valuer independency through various news feeds over the years, social desired input was perceived as a potential threat in obtaining authentic results (i.e. reasoning in line with professional standards or ignoring client-related judgement complexity). Reduction of this type of bias was sought by appealing to a moral sense of community members who participated in this project; participants were motivated upfront by communicating that their input was used to provide recommendations for practice and educational improvements that help future valuers to prepare for the job. As such, an appeal has been made to fairness and openness in interview conversations. This aim was followed through in interviews by adopting an explorative interviewer style to retrieve explanatory input (i.e. “Could you please explain how you ...”). In surveys, social desirability was anticipated by using insights from preceding studies that appeared as shared, common practice during interviews. As such, both survey questions and answer modes were based on fellow practitioner’s input derived during interviews. As such, neutrality in survey questionnaires was stimulated in order to avoid leading questions and answer modes (Scheepers et al., 2016).

In relation to the researcher, confirmation bias is perceived as a source that may have steered reasoning and hence affected outcomes. This type of bias relates to the tendency to search for and interpret information in a way that confirms one’s prior beliefs (Verschuren en Doorewaard, 2015). The professional background of the researcher (see curriculum vitae on p.153) reflects working and educational experience with the population. While such experience may contribute to facilitating a close dialogue in interviews (i.e. understanding of context, the use of professional jargon), it may also hamper an open view towards interview output. Certain measures have been taken in order to stimulate content validity, including an emergent research design (i.e. results obtained in one study provide input into the course of subsequent parts); reliance on relevant literature in other PSF settings that examine the manifestation of client-related aspects; and verification of obtained results with other researchers or in follow-up sessions with respondents and practitioners.

Apart from the aforementioned general bias risks, the empirical studies may have been subject to other types of bias. Specific bias risks in relation to individual studies have been addressed in the relevant papers as included in chapters 4 to 8.

4



Research bias in judgement bias studies – a systematic review of valuation judgement literature

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Abstract

Valuation judgement bias has been a research topic for several years due to its proclaimed effect on valuation accuracy. However, little is known on the emphasis of literature on judgement bias, with regard to for instance research methodologies, research context and robustness of research evidence. A synthesis of available research will establish consistency in the current knowledge base on valuer judgement, identify future research opportunities and support decision making policy by educational and regulatory stakeholders how to cope with judgement bias. This article therefore provides a systematic review of empirical research on real estate valuer judgement over the last thirty years. Based on a number of inclusion and exclusion criteria, we have systematically analysed 32 relevant papers on valuation judgement bias. Although we find some consistency in evidence, we also find the underlying research to be biased; the methodology adopted is dominated by a quantitative approach; research context is skewed by timing and origination; and research evidence seems fragmented and needs replication. In order to obtain a deeper understanding of valuation judgement processes and thus extend the current knowledge base, we advocate more use of qualitative research methods and scholars to adopt an interpretative paradigm when studying judgement behaviour.

4.1 Introduction

Judgement bias has been a behavioural research topic in real estate valuation for many years. As in many economic domains, behavioural research erupted in real estate valuation research since the early 1990s onwards as a counterpart to the more traditional finance approach that has long dominated the research agenda of scholars¹³. Grounded in cognitive psychology, behavioural research seems well positioned to contribute to the development of a better understanding of valuer judgement and decision-making processes (Diaz, 1999). However, little is known on the emphasis of the research undertaken. Although Diaz (1999), Diaz and Hansz (2007) and Wyman et al. (2011) have provided partial overviews of behavioural studies and the behavioural paradigm in valuation, to our knowledge no systematic review of empirical studies on valuer judgement behaviour has been conducted over the last thirty years.

A systematic review is a high-level overview of primary research on a particular research issue, in order to synthesise all research evidence deemed relevant (Petticrew and Roberts, 2006). As such, it can provide the evidence to support decision making policy as they establish consistency between research papers, or point out whether findings substantially differ by subsets (Mulrow, 1994). This article seeks to explore what we have learned on valuer judgement bias, due to its relevance in view of valuation accuracy. Accuracy in real estate valuation relies considerably on personal knowledge, expertise, and interpretation of the many variables that exist (Hager and Lord, 1985; Quan and Quigley, 1991; Lai and Wang, 1998). The crisis in the commercial property market that started in 2007 led to a lot of criticism on the valuation process, suggesting that inaccurate valuation practices were a major contributing factor to the market collapse of mortgage backed finance activities (Newell et al., 2010; DeLisle and Grissom, 2011). Furthermore, over the last 15 years a recurring theme from financial markets has been concerns over ethical standards of information intermediaries such as real estate valuers. Academic research on real estate valuers suggests that their advice may not always be independent of client attachment, which is exploited by valuation clients as mortgage banks and investors seek to 'protect' their monetary interests when issuing valuation assignments (Crosby et al., 2015; Freidson, 2001).

The essence of both criticisms is related to the fact that real estate valuation is the product of an individual valuer's professional judgement (Gallimore, 1996). No matter how carefully produced, such opinions are based on imperfect market conditions due to real estate's product heterogeneity and a lack of a central market place. This 'fact of life' in real estate valuation creates input uncertainty due to data deficiencies as well as client influence which valuers have

13 In the finance approach real estate is treated as a financial asset and is mainly concerned with issues of accuracy and reliability of valuations as a proxy for real estate pricing. See for an overview of the literature for example Clayton et al. (2001); Fisher et al. (1999); and Crosby et al. (1998).

to cope with in valuation practice (Crosby et al., 2015; French, 2011). To address this criticism, professional real estate bodies such as the RICS have put considerable effort into improving valuation process quality and reducing valuer uncertainty (i.e. Mallinson Report in 1994 and Carsberg report in 2002) (Crosby et al., 1997; Crosby et al., 2015). Many of these initiatives involved updating and harmonising valuation standards and procedures (Smolen, 1994; Crosby et al., 1997; Mallinson and French, 2000; McParland et al., 2002). Since 2007, both the RICS red book on professional valuation standards (based on International Valuation Standards) and TEGoVA's blue book (based on European Valuation Standards) have been updated and amended several times to reflect the newest standards and professional guidelines for instance on client interest protocols (RICS, 2017a; TEGoVA, 2016). Recently, the RICS joined a global coalition of real estate organisations that published a set of international ethical standards to reinforce professional ethics in the real estate industry (RICS 2017b; IESC, 2016).

As financial markets and products continue to evolve, adjusted valuation guidelines will undoubtedly follow. However, the underlying tendency towards development of the profession described here is an attempt to reinforce the system of valuation standards, protocols and guidelines whenever the reliability of the valuation is at stake. While this obviously seems sensible to some extent, Bakker and Montesano Montessori (2016) argue that such 'systems' will never be able to provide guidelines that cover all situations a professional will be faced with, especially in interactive work settings such as professional-client relationships. Valuers, as well as other professionals whose daily work comprises several judgement tasks, will have to cope with unpredictable, non-routine and complex situations from time to time. Dealing with such situations also requires (the continuous development of) skills that relate to interpretation, assessment and judgement, to encourage conscious application of one's professional autonomy in order to make appropriate judgement calls regardless of the dynamics of the market environment. Yet for individual valuers to be (further) trained in their judgement skills, a thorough insight is required into current judgement behaviour. Such insight is gained through research and the compilation of a knowledge base, which is why it is important to review what is known on judgement behaviour. Apart from educational aims, a profound knowledge base can also aid to the further development of professional standards, to the extent that consistently observed behavioural patterns may instigate the further development of valuation guidelines.

This article therefore seeks to explore what we have learned on valuer judgement bias. This is established by means of a systematic review of empirical research in English language scientific journals on a global basis over the last thirty years. We examine both the extent to which judgement bias is found to be present in valuation practice as well as relevant research conditions. For instance, we wonder what type of judgement bias has consistently been appearing throughout the years, what research methodology prevails in judgement bias studies, and whether research settings are diversified by scope and origination. We therefore focus our

review on relevant aspects relating to research methodology, research context and research significance. By doing so, we aim to establish a comprehensive overview of present knowledge on valuer behaviour and identify areas of future research, and hence contribute to a more profound body of knowledge on valuation behaviour.

In the following section we start with the concept of professional autonomy, as this is the foundation for judgement behaviour and associated bias. Next, professional autonomy within the context of real estate valuation is explored. Subsequently the systematic review on valuer judgement bias is presented, analysed and discussed. We finalise this article with conclusions on the profundity of the current knowledge base and provide recommendations for future research on valuation behaviour.

4.2 Professional autonomy

Professional practice is usually regulated through legal standards and professionals' legitimate power to act in the affairs of clients. However the real indicator of professional control is the extent of a professional's autonomy to exercise his judgement at his own discretion with regard to client servicing (Hall, 1968). Such autonomy, or discretionary power, often limits or rules out a proper check on the quality of service by clients, or even peers when operating in a one-on-one service structure. That is why every profession should have an ideology that explains why professional autonomy is not desired out of self-interest, but is a requirement for offering the best possible service in the public's or client's interest (Daniels, 1973). Such ideology is often stipulated in a professional code of ethics, which reflects the norms of behaviour that professionals should encounter in light of the profession's service ideal (Wilensky, 1964).

Since the 1980s, many professions have been stimulated to shift their practice standards from task-orientation to client-orientation and towards more "accountability" of professional handling, due to increasing public sector privatisation and market competition that evolved in many Western economies (Freidson, 2001). This trend is illustrated by a boost in guidelines, business protocols and other types of instruction that are designed to provide guidance for professional handling (Bakker and Montesano Montessori, 2016). Today, a growing number of professionals have witnessed a remodelling of their practice, as empowered clients co-designed parts of the professions input, throughput or output parts (Lengnick-Hall, 1996). By enforcing such a rebalance in professional autonomy, stakeholders attempt to monitor more closely professional practice and so avoid or resolve in an early stage any distractions from the profession's service ideology. The valuation practice seems no exception to this trend, as mortgage lenders rely on valuation reports to mitigate lending risk and to monitor loan covenants. Property valuation is an essential part of risk management in the banking sector (Nwuba et al., 2015a; Crosby et al., 2015).

However, there may be two problems with this increasing focus on accountability. One problem is that such distracting behaviour is not so much caused by (deliberate) corruptive or fraudulent behaviour, but much rather the result of unconscious judgement bias, for instance related to information ambiguity. Unconscious judgement bias cannot easily be deterred by prescriptive protocols or punishment, but requires awareness stimuli by training and education (Bakker and Montesano Montessori, 2016). The other problem is related to potential client influence bias. Clients have their own interests and customer economic behaviour is often driven by monetary and time-efficient motives (Freidson, 2001). (Further) empowerment of clients may result in suboptimal decision making due to an overemphasis on client-driven efficiency. To overcome bias related to subconscious decision making or client influence, professionals require certain judgement skills to carefully identify non-routine situations, interpret potential contradictory interests at stake and assess alternative acting consequences in order to arrive at an accurate decision. This focus on individual judgement skills is also referred to as the moral level of professionalism and involves using Schön's (1983) notion of reflective skills to connect between cognitive insights, organisational norms and one's own moral values in order to come to optimal decision making (Kunneman, 2005). As such, it supplements the instrumental level of professional development, illustrated by instruments as practice guidelines and business protocols, which specify preferred behaviour in more routine business situations (Wassink and Bakker, 2013). Authentic professional growth obviously is aimed at finding a proper balance between instrumental and moral levels of development, or between (top-down implemented) practice guidelines and (bottom-up development of) judgement skill enhancement.

4.3 Professional autonomy in real estate valuation

Coping with uncertainty in valuation decision-making processes is often related to some sort of information ambiguity and lack of market transparency, which is caused by a heterogeneous product, absence of central trading market place and poor quality information sources (Hutchison and Nanthakumaran, 2000). Data deficiencies lead valuers to work with secondary and incomplete information (Adair et al., 2005). While a valuer is educated and trained to conduct valuation analyses carefully, such data deficiencies create input uncertainty which may lead valuers to apply heuristic behaviour in their decision-making process. Available factual (but relevant?) information such as previous value estimates or pending sale prices may act as reference points that may influence valuers in their current value estimates. This phenomenon is referred to as anchoring bias (Gallimore, 1994; Diaz, 1999). Anchoring bias occurs as the human brain seeks cognitive short cuts (i.e. heuristics) to overcome the limited amount of short-

term memory in light of information ambiguity (Diaz and Hansz, 1997).¹⁴ Depending on the level of objective and factual information available to the valuer, individual valuers must rely to some extent on their own judgement skills and hence may (sub)consciously be exposed to heuristic bias in their value decision (Joslin, 2005). This may also be triggered by the fact that valuers operate in a fee-dominated business environment where timely delivery of valuation reports is of the essence (Worzala et al., 1998). For the purpose of this article, we refer to this phenomenon as *intrapersonal* judgement bias, as it is predominantly related to the human's cognitive information-processing capacity.

Another potential complicating factor in real estate valuation is client attachment. The relationship between valuer and client is perceived as being analogous to the agent-principal relationship, where a buyer, seller or loan originator (e.g. the principal) hires a valuer (i.e. the agent) to perform a valuation service on its behalf (Rudolph, 1998). Such principals have a strong interest in completion of a (finance) transaction. The valuer understands the financial implications of withdrawn transactions to clients and at the same time seeks a long-term business relation. This potentially creates a moral hazard issue for valuers with regard to deciding on an appropriate market value estimate (Cho and Megbolugbe, 1996; Kinnard et al., 1997). In turn, the principal's awareness of this moral hazard issue opens the door for client influence. A suggestion by a large valuation client to reconsider an estimated value can pressure a valuer to use his discretionary power to prevail potential loss of revenue over principle (Smolen and Hambleton, 1997). The presence of such client influence has been confirmed using qualitative field studies and hedonic regression analyses (i.e. Smolen and Hambleton, 1997; Crosby et al., 1997; Levy and Schuck, 2005; Crosby et al., 2010; and Crosby et al., 2015). Illustratively, Bretten and Wyatt (2001) provided indications of increasing client empowerment in the sector, raising their influence on various parts of the valuation process. Hence, client influence provides an additional complication for real estate valuers in their quest for correct value estimates. The effect of client influence here is referred to as *interpersonal* judgement bias, as client attachment may instigate suboptimal decision making by valuers.

The above exemplifies the complexity of a valuer's business environment, aimed at decision-making processes while coping with information uncertainty and clients' interests, in which various elements for judgement bias seem present (i.e. input uncertainty, client-agent relationships and discretionary power). In order to explore to what extent such judgement bias is existing in real-life valuation practice we need to examine available research on the subject, the results of which is illustrated hereafter.

14 Tversky and Kahneman (1974) and Evans (1989) identified four main types of heuristics used in problem solving, including anchoring and adjustment heuristics. Other types have been identified subsequently. See Havard (2001a); Maule and Hodgkinson (2002) and Gallimore (1994) for an overview on heuristics typology.

4.4 Empirical evidence on real estate valuer judgement bias

Data search and analysis

To be able to provide a comprehensive overview of valuation judgement research performed so far, we have set up a systematic English language literature review using the following search methodology. As a starting point, we examined theoretical papers on real estate (valuation) behaviour research as provided by DeLisle (1985), Diaz (1999), Diaz and Hansz (2007) and Wyman et al. (2011) to identify relevant papers on valuer judgement behaviour. Analogue to the technique of snowball sampling (Verschuren and Doorewaard, 2015) we applied author citation search to assemble other relevant studies in this area. This initial sample gave us a view of journals with an interest in publishing valuer judgement research. We expanded our dataset by an index search of relevant journals back to 1985, the year in which Hager and Lord published their influential paper on valuer idiosyncrasy in relation to accuracy. Finally, in order to prevent a narrow scope on certain journals, we performed an open access database search using Web of Science and Google Scholar to collect overlooked studies on valuation judgement behaviour. The above search methodology resulted in an initial database of 75 papers on valuation behaviour as illustrated in Figure 1.¹⁵

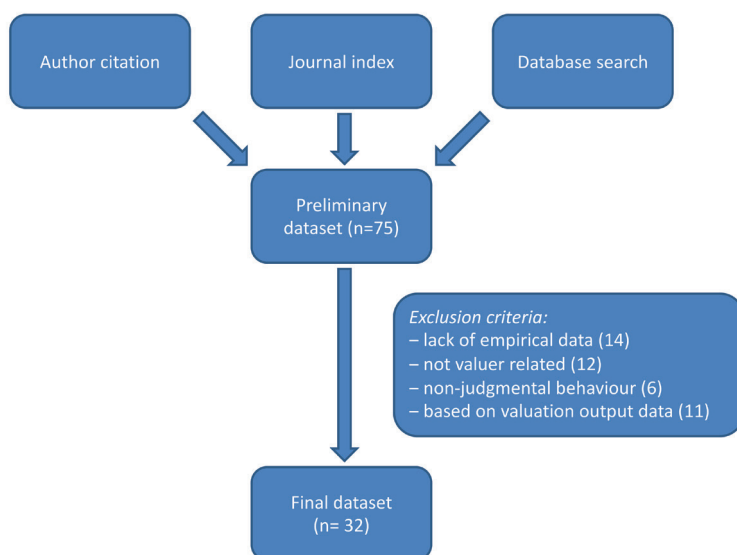


Figure 1 Dataset compilation

15 Grey literature publications such as conference proceedings, industry research reports and working papers have been excluded from this search as they may lack stringent (peer-) review quality protocols deemed relevant for sensitive research subjects as judgement bias and client pressure.

Second, we used a number of exclusion criteria to narrow our preliminary dataset down to a final dataset of relevant studies for analysis purposes. It is important to note here that we focus on judgement behaviour of real estate valuers only, as we are particularly interested in how valuers use their professional autonomy in valuation practice. We have therefore excluded studies that either:

- lack empirical data, such as theoretical papers and professional essays that provide theoretical views on valuation judgement (14 studies);
- focus on judgement behaviour of non-valuers such as real estate agents, valuation clients or student valuers (12 studies);
- address non-judgemental valuation behaviour, such as ranking of property characteristics (6 studies); or
- provide numerical performance analysis based on (year-end) valuation output data as a proxy for valuer behaviour (11 studies).

This resulted in a final database of 32 studies. Next, we grouped relevant studies based on the research angle applied. Following Gallimore and Wolverton (2000), valuer judgement bias is defined here as a deviation from prescribed information-processing valuation procedures. Based on examination of available studies, a distinction is made between two forms of valuer judgement studies:

1. *Intrapersonal* valuer judgement studies, which tend to study intrapersonal decision making in light of information processing, including the influence of certain reference points;
2. *Interpersonal* valuer judgement studies, which are focused on the relationship between valuer and his client and address the effects of client influence on valuer decision-making processes.

Subsequently, we have labelled 17 studies of the final dataset as intrapersonal judgement bias-related, while the remaining 15 studies are primarily focused on interpersonal judgement bias. In addition to this intra/interpersonal judgement distinction, the final dataset has been classified employing the following criteria that are relevant for the purpose of qualitative content analysis (Hsieh and Shannon, 2005):

- Research methodology. Qualitative instruments such as a case study or interview are presumably more effective for the study of individual thoughts or behaviour, which needs to be offset against the strength of anonymity provided in survey methods when researching delicate matters as well as generalisation options of obtained results (McAllister et al., 2003; Gallimore, 1996; Levy and Schuck 1999; Crosby et al., 2015);
- Research context. This includes timing and origination of field studies, as it is argued that a diversified set of underlying field research would contribute to the robustness of research

evidence (Verschuren and Doorewaard, 2015). In addition, we explore the extent to which participating valuers have gained a specialisation in either residential or commercial valuation. Such specialisations may imply enhanced professional expertise, yet may also increase revenue dependence on a particular group of clients (Amidu et al., 2008). Finally other contextual information is reviewed, such as the presence of particular research settings (i.e. mortgage case scenario) to study valuation judgement;

- Research significance. The extent to which results have shown to be significant (i.e. not due to chance) using statistical hypothesis testing and hence contributing to the robustness of research on valuer bias (Verschuren and Doorewaard, 2015).

Intrapersonal valuer judgement bias

Based on our analysis criteria, the following general comments are made upfront on the subset of 17 relevant studies on intrapersonal valuer judgement bias:

- Research methodology: most studies (15) have been generated using experimental settings either at location or through survey;
- Research context: 11 out of 17 associated field studies have been performed within a ten-year timeframe between 1995-2004 and an equal portion of studies on intrapersonal judgement bias are (partly) US-originated. 14 studies are performed in a commercial or residential subsector, implying a relatively homogenous field sample. Ten studies made use of an experimental design that involved working on a valuation assignment in a geographic unfamiliar area;
- Research significance: 11 studies found statistical significant proof of intrapersonal valuer judgement bias.

The evidence on intrapersonal valuer judgement bias can be broadly divided in studies on valuation process inconsistency (studies numbered 1-4 in Table 2) versus heuristics-related bias studies (studies number 5-17).

Table 2 Empirical studies on intrapersonal valuer judgement bias

Author(s)	Type of bias	Research context	Field study	Specialisation
1 Diaz (1990a)	Valuation process inconsistency *	US experiment (geograph. unfamiliar)	1987	Residential
2 Diaz (1990b)	Valuation process inconsistency ~	US experiment	1987	Residential
3 Diaz et al. (2002)	Valuation process inconsistency **	UK-NZ experiment (geograph. unfamiliar)	1998 (NZ) 1999-2000 (UK)	Residential
4 Diaz et al. (2004)	Valuation process inconsistency **	UK-NZ experiment (geograph. unfamiliar)	1998 (NZ) 1999-2000 (UK)	Residential
5 Gallimore (1994)	Recency heuristics *	UK survey experiment	N.A.	General practice
6 Gallimore (1996)	Anchoring and positivity heuristics *	UK survey questionnaire	1995	General practice
7 Diaz (1997)	Previous valuation anchoring **	US experiment	1993	Commercial
8 Diaz and Hansz (1997)	Previous valuation anchoring *	US survey experiment (geograph. unfamiliar)	1995-1996	Commercial
9 Gallimore and Wolverton (1997)	Sale price anchoring *	US-UK experiment (geograph. unfamiliar)	1995 (US) 1996 (UK)	Residential
10 Diaz and Wolverton (1998)	Previous value anchoring *	US experiment (geograph. unfamiliar)	1995-1996	Residential
11 Diaz and Hansz (2001)	Sale price / previous valuation anchoring *	US survey experiment (geograph. unfamiliar)	1995-1996	Commercial
12 McAllister et al. (2003)	Previous value anchoring ~	UK case study interviews	1999-2000	Commercial
13 Cypher and Hansz (2003)	Tax value anchoring **	US survey experiment (geograph. unfamiliar)	2002-2003	Commercial
14 Hansz (2004b)	Transaction price anchoring *	US survey experiment (geograph. unfamiliar)	2002	Commercial
15 Diaz and Hansz (2010)	Mortgage loan anchoring *	US experiment	2003-2004	Residential
16 Tidwell and Gallimore (2014)	Previous value anchoring *	US experiment (geograph. unfamiliar)	2011	Commercial
17 Iroham et al. (2014)	Representativity and availability heuristics *	Nig. survey experiment	2011-2012	General practice

* Results are statistically significant at 0,05 significance level.
 ** Results are not significant at 0,05. ~ Significance not tested.

With regard to valuation process inconsistency, Diaz (1990a; 1990b) and Diaz et al. (2002; 2004) compared actual residential valuer behaviour against prescribed valuation process norms in an international setting and found that US residential valuers show significant deviations in valuation procedures, also in unfamiliar local market settings. UK residential valuers tend to follow prescribed processes as taught, although Gallimore found that UK general practice valuers who have transaction price knowledge significantly limit their search effort for comparable transactions to support their value estimate (Gallimore, 1996). New Zealand residential valuers show mixed results here. Unfortunately, our dataset did not include studies on valuation process inconsistencies in commercial settings specifically.

The issue of (non-)familiarity has also been addressed in many heuristic behaviour studies. Most research on heuristics is based on experiments that aim to identify differences in valuer behaviour between familiar and unfamiliar market settings. Such experiments have been replicated over time and in various modes. When confronted with unfamiliar settings, evidence of reference point anchoring by US commercial valuers is provided by Diaz and Hansz (1997; 2001), Hansz (2004b) and Tidwell and Gallimore (2014) using various reference points such as third-party value estimates, pending sales or mortgage amounts or recent transaction prices. Tax value assessments are however not recognised by US commercial valuers as 'valid' reference points in unfamiliar settings (Cypher and Hansz, 2003). In addition, studies on heuristic behaviour by residential valuers provide evidence of transaction price anchoring in settings with geographic unfamiliarity by both US and UK residential valuers (Gallimore and Wolverton, 1997; Diaz and Wolverton, 1998).

However, when market unfamiliarity is not controlled for (i.e. studying valuers in their own market area), the proof of heuristics-related bias is rather limited and mixed. Diaz and Hansz (2010) find proof of anchoring by US residential valuers, while Diaz (1997) cannot find evidence of anchoring behaviour by US commercial valuers in a local market setting. In the UK, Gallimore (1994) finds evidence of recency heuristic behaviour by UK general practice valuers using a nationwide survey. In less mature real estate markets such as Nigeria, Iroham et al. (2014) find significant proof that general practice valuers showed signs of representativeness heuristics (e.g. stereotyping behaviour) and availability heuristics (e.g. availability of previously successfully applied solutions) when operating in local market settings.

The above indicates that there is evidence of reference point anchoring in unfamiliar (US) market settings, albeit relatively few scholars have undertaken research on heuristic behaviour in familiar settings. In addition, there seems to be a mismatch in research contributions geographically, as evidence from (continental) Europe and other parts of the world seems lacking in comparison to US research efforts. Finally, we point out that the final dataset contains no studies on valuation process inconsistencies in commercial settings.

Interpersonal valuer judgement bias

Next, we turn to the 15 relevant studies on interpersonal valuer judgement bias. General comments on analysis criteria are as follows:

- Research methodology research: contrary to intrapersonal judgement studies, almost all studies on interpersonal bias are conducted by means of survey research, mostly structured as a questionnaire (9 out of 15);
- Research context: two-thirds of field studies relating to interpersonal judgement bias have been performed between 1996 and 2005. Most studies have been performed in the USA (seven) and Nigeria (five). However, the majority of studies on interpersonal judgement bias were performed using sample participants that can be characterised as general practice valuers (ten), rather than specialised commercial (four) or residential (one) valuers;
- Research significance: half of the 14 relevant studies provided statistical significant proof of interpersonal valuer judgement bias.

Studies on interpersonal judgement bias can be split into two. A number of studies addresses role perception of valuers following client pressure (studies numbered 1-4 in Table 3), while the remainder (studies 5-15) focuses on dilemmas in terms of value revision pressure. The two angles may seem closely aligned, but the nuance relates to different levels of motivation. Following McClelland's motivation theory of the Iceberg model (1973), value revision may correspond to behavioural aspects that are visible to others, while role perception may be measured at a deeper (invisible) layer of personal values and attitudes, which are often the foundation for human behaviour that and hence more difficult to alter if desired.

Table 3 Empirical studies on interpersonal valuer judgement bias

	Author(s)	Type of bias	Research context	Field study	Specialisation
1	Wolverton and Gallimore (1999)	Price validation *	US survey questionnaire (mortgage loan scenario)	1997	General practice
2	Wolverton (2000)	Price validation *	US survey questionnaire (mortgage loan scenario)	1997	General practice
3	Gallimore and Wolverton (2000)	Price validation **	UK survey questionnaire (mortgage loan scenario)	1997	General practice
4	Amidu et al. (2008)	Price validation **	Nig. survey questionnaire (mortgage loan scenario)	2005	General practice
5	Smolen and Hambleton (1997)	Value revision ~	US survey questionnaire	N.A.	General practice
6	Kinnard et al. (1997)	Value revision *	US survey experiment	1996	Commercial
7	Worzala et al. (1998)	Value revision **	US survey experiment	1996	Residential
8	Levy and Schuck (1999)	Value revision ~	NZ case study interviews	N.A.	Commercial
9	Hansz and Diaz (2001)	Value revision *	US experiment	1999	Commercial
10	Hansz (2004a)	Value revision *	US survey experiment (mortgage loan scenario)	2002	Commercial
11	Amidu and Aluko (2007a)	Value revision **	Nig. survey questionnaire	2005	General practice
12	Amidu and Aluko (2007b)	Value revision **	Nig. survey experiment	2005	General practice
13	Chen and Yu (2009)	Value revision *	Taiwan/Singap. survey questionnaire	N.A.	General practice
14	Nwuba et al. (2015a)	Value revision *	Nig. survey quest./focus group (mortgage loan scenario)	2012	General practice
15	Nwuba et al. (2015b)	Value revision ~	Nig. survey quest./focus group (mortgage loan scenario)	2012	General practice

* Results are statistically significant at 0,05 significance level. ** Results are not significant at 0,05. ~ Significance not tested.

Smolen and Hambleton (1997) were among the first to provide - anecdotal - evidence of valuation revision, as surveyed valuers stated that 82% of *peer* valuers would accommodate unrealistic client demands. Kinnard et al. (1997) and Worzala et al. (1998) compare actual value revision pressure between commercial and residential valuers and conclude that 32% of residential valuers and 41% of commercial valuers did revise their valuation estimates. Interestingly, while commercial valuers appear significantly influenced by client size in their revision decisions, residential valuers are not.

With regard to other value revision influencers, Levy and Schuck (1999) point out that in commercial settings, revision can be effectuated by clients using expertise and information power rather than economic power. Hansz and Diaz (2001) and Hansz (2004a) add that critical feedback on previous value assignments trigger US commercial valuers to provide more positive value estimates in subsequent (but unrelated) valuations assignments. Client size, transaction-related valuation assignments and lack of market transparency may also instigate value revision by general practice valuers in less mature real estate markets such as Singapore, Taiwan and Nigeria (Amidu and Aluko, 2007a; Nwuba et al., 2015a; 2015b), albeit not the case in residential settings (Amidu and Aluko, 2007b). Empirical evidence from US studies on price validation behaviour point out that a relationship may exist between the type of client feedback (positive or negative) and its effect on valuer's role perception: while positive reinforcement feedback triggers valuers to perceive themselves as providers of objective market value estimates, negative feedback stimulates price validation role perception (Wolverton and Gallimore, 1999; Wolverton, 2000). However, no such result is found outside the USA for UK or Nigerian valuers (Gallimore and Wolverton, 2000; Amidu et al., 2008).

In short, commercial valuers may be inclined to submit to revision pressure following exposure to different kinds of influencers. The provided evidence varies by research setting but remains limited in number. In the residential sector, our dataset included one study on client pressure bias, with no such proof provided. In addition, evidence on price validation behaviour in mature real estate markets (i.e. US, Western Europe and Australia) is either mixed or lacking.

4.5 Discussion of results

As this article concerns a review of empirical studies, we comment here on a number of noteworthy aspects from a research point of view, including research methodology, research context and result significance. With respect to research methodology, we note apparent research preferences amongst scholars. Much of the intrapersonal judgement studies included are conducted by means of an experimental design first used by Diaz (1997) and Diaz and Hansz (1997). Their experiments typically measure the effect of a bias-triggering intervention (such as a fictive reference point or client request) on market value estimates produced by valuers who

are divided into a treatment group and a control group. Similar experiments, either through a classroom setting or via survey, have been conducted by various scholars including Diaz and Wolverton (1998), Cypher and Hansz (2003) and Amidu and Aluko (2007b). As such, experimental research has provided an important contribution to the progression of judgement bias research in its current stance. Its methodological attractiveness is explained by Diaz (1997), advocating its ability to control for extraneous variation, thereby allowing for (strong) significant results despite the participation of relatively few valuers.

In interpersonal studies, we have come across similar experimental design, as well as survey questionnaires, which are mostly used to collect self-perceptions of behaviour when confronted with for instance client influence (see for instance Wolverton and Gallimore (1999); Gallimore and Wolverton (2000); Amidu et al. (2008); Chen and Yu (2009) and Nwuba et al. (2015a; 2015b)). In recognition of its key advantages of generating statistical significant results and granting anonymous participation in research of delicate matters such as value revision (Gallimore, 1996), we also point to the risk of respondent unwillingness or unconsciousness to provide genuine answers as may be opportune in judgement behaviour (De Lange et al., 2016).

Although the dominating survey approach in judgement bias studies may generate quantifiable data by means of Likert-scale structured questions, it prevents in our view a deeper exploration of valuer habits and acting in relation to judgement bias, and so cannot create a comprehensive view on such behavioural aspects. Exceptions here are for instance Levy and Schuck (1999) and McAllister et al. (2003). Levy and Schuck (1999) addressed the lack of a more holistic consideration in valuer judgement research some time ago, but their point still seems valid today. McAllister et al. (2003) explained that their motivation for a case based interview approach is based “...on a preconception that detailed knowledge of the research questions is situated with professionals and could be best accessed by personal interview or ‘close dialogue” (p.266).

The adopted approach of McAllister et al. (2003) and Levy and Schuck (1999) reflects aspects of an interpretative research paradigm. Scholars following this approach often favour a more interactive and qualitative method of data collection through either (narrative) interviews, observation, focus group discussions or a combination of the above. While such research can be time consuming, labour intensive and provides little means for statistical analysis, its ability to unlock individual judgement behaviour and perceptions could contribute to improving both internal and external validity as a result of higher construct validity (De Lange et al., 2016). Our review points out such qualitative methods are (strongly) underweighted so far, leading to concerns about the validity of research in terms of generating a profound understanding of the dynamics of valuation judgement in relation to both individual circumstances and personal motivation and beliefs.

With regard to the research context, we make a distinction between intrapersonal and interpersonal judgement studies. In intrapersonal studies, our review indicates a substantial number of (experimental) studies that made use of a research context in which valuers were asked to perform valuation services in geographic areas where they had not worked before and hence experienced geographic unfamiliarity. For the purpose of research quality, it has been argued that experiments with participants operating in unfamiliar areas would promote a certain 'level playing field', as differences in local market expertise can be controlled (Gallimore and Wolverton, 1997). In addition, it will increase valuation uncertainty and hence may trigger heuristic behaviour (Diaz and Hansz, 2001; Geltner, 1993). However, research findings may seem less valuable for the purpose of understanding real life valuation behaviour, as clients base their choice of preferred valuers on local market expertise (apart from fee levels) to reduce valuation lead-time (Newell, 2004; Levy and Lee, 2009). While creating a level-playing field amongst participating valuers through stimulating geographic unfamiliarity may contribute to control over experimental settings and hence improve construct validity of results, this should be offset against a lower ecological validity of results (i.e. research settings do not sufficiently match real-life practice) and hence make generalisation less defensible (Araujo et al., 2007).

In interpersonal bias studies, we note that a number of studies used a mortgage loan scenario for context purposes. While commercial interests are highly visible in a mortgage case scenario as both banks and real estate buyers have an interest in completing a finance transaction (Cho and Megbolugbe, 1996; Smolen and Hambleton, 1997), our review indicated mixed results on the effects of client pressure on valuation judgement upon finance transactions. Given the indispensable role of market valuation for mortgage lending activities, we consider additional research a necessity to stipulate more closely the effect of a mortgage loan scenario upon judgement bias.

Another interesting aspect to acknowledge in research context is the disparity in business environment between residential and commercial valuation practice, which is partly reflected in available research evidence. Diaz (1990a) points towards the more homogeneous product of residential real estate (i.e. reducing property-related uncertainty) and higher levels of market transparency (i.e. reducing market uncertainty) compared to commercial real estate. On the other hand, this leads to more standardisation and efficiency in residential valuation service compared to commercial valuation (Rudolph, 1994), and so commercial valuation arguably exposes valuers to different challenges compared to residential valuers with regard to business environment and process complexity. Our review indicates 19 out of 32 papers made use of either residential or commercial specialised valuers, the bulk of which relates to intrapersonal judgement bias. However, these 19 papers produce mixed results in terms of outcomes and/or statistical robustness. Appreciation of exactly how these fundamental differences between commercial and residential valuation settings affect the practice of cognitive short cuts would require the instigation of additional research.

This brings us to the point of international comparison of applied research context. It should be noted that the presence of ‘systematic’ differences between countries may blur such international comparison of results on for instance heuristic behaviour. Due to US federal and professional regulation, US valuers are usually provided with pending sale price information (Diaz, 1997) which may provide an opportunity for anchoring behaviour. These formal disclosure requirements are lacking in other markets such as the UK or New Zealand, although revealing pending transaction prices by clients seems common practice in UK valuation practice as well (Gallimore and Wolverton, 1997).

With regard to client pressure effects, a similar case can be made. The conducted review on interpersonal valuer judgement bias made clear that US-originated proof of client-related bias seem unconfirmed in other (Western) markets such as the UK. Amidu et al. (2008) suggests this lack of congruence between studies may again in part be explained by international differences in market dynamics, as UK valuers are less specialised and have a more diversified revenue base than their US peers do. UK valuers seem therefore less exposed to revenue loss in case of unwillingness to comply with client pressure. In addition, facilitating draft valuation meetings with clients is common practice in UK and NZ valuation, enabling a last-minute information transfer between parties, where this appears less usual for US valuers (Levy and Schuck, 2005; McAllister et al., 2003). The point that we would like to raise is that international results on inter-/intrapersonal valuer judgement cannot easily be claimed to be present in home countries due to systematic, cultural or procedural differences between countries which may raise ecological validity issues. As a final comment on research context, we would like point out that five of the 15 studies on interpersonal judgement bias are based on field data that have been used in other publications enlisted in Table 3 as well. Notwithstanding the fact that data samples may be advantageous for multiple research analyses, it does not add to the overall robustness of evidence on valuer judgement. Such “sample recycling” seemed to occur to a much lesser extent in intrapersonal judgement studies in our dataset however.

With hindsight to the comments above on unilaterality of research methodology and external validity of research context, we have analysed all studies included in our database on result significance. In case of location familiarity, we found (marginal) evidence of heuristics in five studies on US, UK and Nigerian valuation behaviour. While the tendency in these studies is towards a presence of heuristics in valuation practice in general, the underlying evidence is fragmented. In addition, we observe that the evidence obtained on client-related judgement bias indicates that commercial valuers seem affected by various client influencers. Clients defend their empowerment by suggesting that their input into the valuation process reflects their concern to ensure market transparency, consistency and accurate and realistic valuations (Levy and Schuck, 2005). This may seem quite reasonable given the far-reaching consequences of value estimates for clients once valuation reports are submitted, yet the extent and magnitude

of client influence in residential and commercial practice may substantially differ by country and sector. In order to address the issue of client empowerment in full context, we would advocate a closer examination of the valuation process and complexity of decision making in light of input uncertainty and client influence in both commercial and residential valuation practice in various markets.

4.6 Conclusions and recommendations

Real estate valuers often operate in a challenging business environment and perform decision-making processes in an information-rich setting and fee-dominated markets where timely delivery of valuation reports to clients is of the essence. Yet valuations represent individual estimates based on available facts and assumptions related to (uncertainty over) market conditions. Valuers therefore possess a certain level of professional autonomy to exercise their judgement on value estimation. However the dynamics in business environment, such as lack of a central market place and product heterogeneity makes such judgement susceptible to bias. Judgement bias can be broadly divided into behaviour related to coping with information ambiguity (intrapersonal bias) and client influence (interpersonal bias). As discussed, such bias is known to have an effect on valuation accuracy and as such may imply mortgage financing risks. Therefore understanding of the dynamics in valuation behaviour is essential and should contribute to improve valuation accuracy by means of regulation and education.

Behavioural research was initiated in real estate valuation in the early 1990s, yet a systematic review of the empirical research conducted so far is lacking. Our aim was therefore to provide a thorough insight into the current knowledge base on valuer judgement bias from the perspective of valuation professionals and to shed light on what we know, and not know, on how valuers utilise their professional autonomy in the market value estimation process. Identification of potential research gaps through a systematic review of the current knowledge base may serve as guidance for future research activities and hence contribute to the knowledge base on valuation behaviour.

Based on a number of analysis criteria, we reviewed a dataset of 32 relevant studies on valuer judgement bias over the last 30 years. This dataset review led us to the following findings and conclusions with regard to research methodology, research context and research significance. On research methodology, we note that practically all value judgement behaviour studies included in our database have been conducted by means of experimental design, survey questionnaires or a combination of both. In appreciation of the valuable and often quantifiable contributions provided and methodologic preference given the sensibility of issues as client attachment, we also point towards the underrepresentation of other methodology such as interviews, which have only occurred twice in our database of 32 papers. With regard to research context, we

have pointed out that field data of at least 21 studies in our review is gathered in a relatively short timeframe between 1995-2005. Furthermore, field data of 18 studies are (fully or partly) US originated. In addition, two-thirds of interpersonal judgement research used a mixed sample of general practice valuers in field studies, rather than sampling a homogeneous set of either residential or commercial valuers to appreciate differences in business setting and daily work complexity between the two subsectors. Finally, we point towards the dominance of geographic unfamiliar valuation experiments in intrapersonal judgement studies. On research robustness, our review indicates some consistency in the provided evidence on valuer judgement bias. A little over half of all studies provided significant proof of judgement bias within real estate valuation, especially with regard to intrapersonal bias. Most noticeably, we point towards the considerable evidence of reference point anchoring, especially in unfamiliar (uncertain) market settings predominantly derived from US field studies. On interpersonal judgement bias, the somewhat fragmented evidence not only indicates that commercial valuers may be vulnerable to client pressure in various forms as is pointed out by various scholars before, but additionally such influence may instigate deeper motivational issues with regard to self-perception (i.e. price validation behaviour).

Based on the above analysis, we find the research undertaken to be relatively biased by both methodology and research settings. In our view, this represents an important reason why the available knowledge on valuer judgement behaviour is still rather unsubstantiated despite 30 years of research. We would like to point out that we have taken a stringent scope on dataset inclusion criteria, as we have only encountered studies that focus on valuer behaviour in relation to judgement-related bias. By doing so, we have disregarded studies on the subject of valuation behaviour that may provide meaningful contributions into the black box of valuation behaviour, yet stem from a different perspective (i.e. client/apprentice valuer behaviour or quantitative analysis studies based on year-end performance data) or that have not been published in English language scientific journals since 1985.

With hindsight to the above, our findings have several implications for judgement bias-related research. First, in order to contribute to a methodologically balanced and diverse knowledge base, we would advocate future research to adopt an interpretative research philosophy on the subject, as accessing a professional's (sub)conscious knowledge on decision-making processes by means of dialogue would arguably lead to increased research construct validity and hence would help towards a deeper understanding of valuer judgement behaviour and motivation. In addition, while it is recognised that an experimental research angle adds to creating a controlled environment and hence stimulates methodological construct validity, this should be offset against a lower ecological validity with respect to research implications in real-life valuation practice. Notwithstanding the important research contributions made so far to unravel heuristic behaviour, we would recommend forthcoming behavioural research on the matter to focus on

studying valuers in their natural work environment (i.e. geographic familiar markets) in order to enhance the knowledge base on (intrapersonal) valuation behaviour to a more far-reaching level. Third, the domination of both contextual aspects related to timing and origination could hamper external validity of results in our view, as real estate markets vary substantially by country and real estate market conditions usually have cyclical patterns with boom and bust periods. Replication of behavioural studies in subsequent markets and market conditions seems necessary in order to understand a fuller spectrum of valuation behaviour in relation to changing market (and client) dynamics. Finally, we believe that for the purpose of understanding valuer behaviour, which seems context driven quite often, the impact of future research can be more far-reaching if field studies would focus on reflecting specific commercial or residential practice situations, rather than include general practice valuers. Although valuers may indeed seek qualification to carry out both residential and commercial valuation assignments (subject to country specific qualification criteria), a mixture of valuers with various kinds of educational and practical backgrounds may elicit result smoothing and hence hamper ecological validity of obtained evidence. We conclude this review by stating that the gaps in research contributions are too substantial to ignore, most notably with respect to intrapersonal bias in familiar market settings, as well as interpersonal bias in both commercial and residential settings. For the robustness of evidence and stimulation of comprehensive understanding of judgement bias by the valuation sector, its clients and stakeholders, it is strongly recommended to substantiate the amount of research efforts on valuer behaviour in a number of areas as articulated above.

5



Complexity in valuation practice: an inquiry into valuers' perceptions of task complexity in the Dutch real estate market

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Abstract

The aim of this paper is to examine valuer judgement behaviour, by exploring the manifestation of task complexity in Dutch commercial valuation practice. For this purpose, we adopted a grounded theory approach and undertook 18 in-depth interviews with senior valuation professionals across the Netherlands. Our findings indicate a strong presence of situational task complexity in commercial valuation practice, as professionals operating in large valuation teams perceive different elements of task complexity throughout commercial valuation practice in comparison to peers working in small valuation teams or self-employed valuers. Further, coping strategies used to deal with task complexity vary substantially by type of valuer as well. From our data we deduced three types of task environment constructs in which valuers operate, which basically represent the various levels of professional standards required by clients as well as organisational settings composed to meet client standards. As such, we found that task environment settings strongly coincide with perceptions of task complexity. The presence of situational task complexity in commercial real estate valuation practice points to the need for customisation of professional valuer's development programs to facilitate valuers to deal with task complexity in different stages of valuation practice and hence contribute to advancing valuer judgement skills.

5.1 Introduction

Real estate valuers produce value assessments that involve judgement and decision-making in an uncontrolled and complex environment while dealing with information ambiguity, an intransparent market place and commercial interests of clients. Due to its presumed effects on valuation accuracy, judgement bias has been a frequent topic in discussions about the quality of valuation services (Wyman et al., 2011). Experimental research has made some important contributions towards development of the knowledge base on valuer judgement bias behaviour. We have learned that commercial real estate valuers may be susceptible to bias in their value assessments, for instance due to occasional receptiveness to stimuli as reference points or urgent client requests (see for instance Diaz and Wolverton, 1998; Hansz and Diaz, 2001). Other experiments have been conducted through surveys to illustrate self-perceptive behaviour in 'what-if' scenarios (i.e. Gallimore, 1996; Iroham et al., 2014). While experimental design has generated (statistical) insights into judgement quality, its results are mixed in terms of research robustness and research context (Klamer et al., 2017). These mixed results may be partly explained by the complexity of valuation practice, which may not be fully captured by experimental design due to its narrow research focus (Diaz, 1997). Alternatively, participants may not be fully concerned with real-life (economic) implications within a controlled experimental environment (Hansz, 2004a).

In explaining judgement behavioural patterns, relevant contributions can be divided into interpersonal judgement bias studies which relate to client influence and intrapersonal judgement bias research that involves information ambiguity challenges. On interpersonal judgement bias, Crosby et al. (2015), Levy and Schuck (2005) and Baum et al. (2000) point to the complicated nature of the valuer/client relationship, which serves mixed purposes (i.e. valuation instruction, property information and client consideration) at different points in valuation practice (beginning/end stage) depending on the type of instruction (i.e. periodic revaluation or acquisition). Furthermore, client influence may be exercised at different points in valuation process (Bretten and Wyatt, 2001; Chen and Yu, 2009), while the size of valuation practice may also be topical to bias (i.e. small valuers being vulnerable to large clients; Smolen and Hambleton, 1997). On intrapersonal judgement bias relating to information ambiguity, Bellman and Öhman (2016) indicate that valuers may spend considerable time abstracting market-related information. Kucharska-Stasiak (2013) and Jin and Gallimore (2010) indicate that different perceptions of information quality may trigger different information-processing strategies. Gallimore (1994) adds that in evaluating and choosing comparables, valuers face complex circumstances when assessing considerable amounts of information. Finally, Tidwell and Gallimore (2014) point to the endorsement of decision support tools to reduce heuristics behaviour.

It seems as though the task environment of commercial valuers is rich of stimuli that provide numerous challenges to valuers during valuation practice. However, a (comprehensive) overview of relevant stimuli and how they affect valuer reasoning behaviour is absent. Our aim is therefore to contribute to the knowledge base on valuer behaviour by examining task complexity in valuation practice performance. In order to achieve this, we have adopted a grounded theory approach using in-depth interviews (Corbin and Strauss, 1990). Specifically, we aim to explore how individual valuers carry out their valuation processes in order to disclose complex tasks in valuation and find out how valuers deal with these matters. For instance, we are interested to learn if and how views on perceived task complexity matters may vary between valuers, or how they may vary along different valuation stages. Such an in-depth examination of complexities in valuation practice may enhance our understanding of valuer decision-making and so may contribute to improving the quality of valuation processes and reduce judgement bias risks (Diaz, 1990a).

Our study is performed in the Netherlands, traditionally home to some of the largest real estate investors globally and generally considered a mature and transparent real estate market in Europe (JLL, 2016). Yet the literature on Dutch valuer behaviour is scarce and seems to concentrate on valuation accuracy effects, thereby providing a rationale for Dutch scoped valuer behaviour research (Smit and Vos, 2003; Schekkerman, 2004; Niemeijer, 2014; Van der Werf and Huibers, 2015). This paper is structured as follows. As a background to our grounded theory approach, we provide some basic insights into the concept of task complexity and its relation to judgement and decision-making processes. Next, we outline our research methodology and present first-order findings (i.e. respondents' interpretations) and second-order findings (i.e. authors' interpretations). We finalise our paper with a discussion of results and theoretical implications and provide recommendations for future research on professional valuer development.

5.2 Literature review

"A task is a set of assigned a) goals to be achieved, b) instructions to be performed, or c) a mix of the two" (Gill and Hicks, 2006, p.3). While defining a task seems relatively straightforward; the topic of task complexity seems to lack a universally-accepted definition despite wide research attention (Liu and Li, 2012). The common element in task characteristics that makes a task complex to some extent, is its requirement for a certain level of cognitive effort in order for the task to be executed. Yet as cognitive effort is not directly tangible and observable, many definitions on task complexity focus on task components or classification schemes of contributing factors to task complexity (Bonner, 1994). Liu and Li (2012) pulled together existing views on task complexity from various fields (e.g. management, psychology, engineering et cetera) and composed an inventory of 24 groups of task definitions. The authors conclude with an overview of ten complexity dimensions that contain specifiable elements of task complexity. Most dimensions involve the structure of a task and relate to complexity in output, required acts or information

cues (i.e. quantity, variety or clarity of task components or conflicting interdependencies). Other dimensions refer to the task context in a wider sense and include elements of information reliability, novelty of tasks, cognitive effort and time pressure (Bonner, 2008).

Historically, a distinction in views on task complexity has been made between the structuralist approach and the interaction approach (Liu and Li, 2012). The structuralist approach perceives task complexity as a function of task characteristics and assumes that all persons involved in a task would perceive its complexity equally beforehand, irrespective of idiosyncratic elements as skill or motivation (Li et al., 2011; Bonner, 1994). This approach is based on the view that task complexity is fully related to the structure of the task, i.e. the level of specialisation that is required for its fulfilment (Simon, 1973). This approach is also referred to as 'objective' task complexity as it focuses solely on task characteristics related to either i) presence of multiple paths to arrive at an outcome; ii) conflicting or uncertain interdependency among paths; or iii) multiple outcomes to be attained (Campbell, 1988).

In the interaction viewpoint, task complexity is a relative (rather than an absolute) concept defined as a product of the interaction between task characteristics and task performer characteristics, such as knowledge or experience. This type of task complexity is known as 'subjective' task complexity and has its roots in the decision-making theories (Tversky and Kahneman, 1974). It refers to the amount of attentional capacity or mental processes required to fulfil the task (Bonner, 1994). Byström and Järvelin (1995) argued that perceived tasks (rather than prescribed tasks) are fundamental to task complexity, as uncertainty over perceived tasks form the basis for interpretation of information needs and actions. Hence, these may differ from person to person depending on individual characteristics such as cognitive capabilities, motivation and prior experience. Referring to the structuralist-interactionalist approach discussion, Funke (2010) denotes the concept of 'situational' complexity, where the complexity of a task can relate in a narrow sense to task components, yet in a broad sense may involve dealing with elements of the wider task environment. Trotman et al. (2011) point out that since the 2000s much of the audit literature¹⁶ has incorporated environmental aspects, rather than task structure aspects, in examining task complexity in recognition of its effects on task complexity perceptions.

Complex tasks, contrary to routine tasks, are thus featured by some level of uncertainty which require cognitive effort in order to process relevant information. In case of multiple paths to choose from or conflicting outcome alternatives, it also requires decision making (Vakkari, 1999). In this respect, Einhorn and Hogarth (1981) differentiate two important processes in

16 The audit industry is perceived to exhibit similarities in working processes and task setting compared to the valuation industry, which is why we drew on audit literature here. Please see also Kinnard et al. (1997); Worzala et al. (1998); Baum et al. (2000); and Amidu and Aluko (2007a).

decision-making: judgement and choice. Both are closely related and are formed on the basis of information processing. When distinguished, judgement usually refers to estimation of the likelihood of outcomes and their consequences (e.g. estimate of future cash flows), while choice involves an evaluation of these consequences leading to a selection of the best alternative (e.g. invest/not invest). Additionally, judgement is required when conflicting interdependencies between paths or desired outcomes occur (Campbell, 1988). Judgements are hence an important input for decisions and serve to reduce uncertainty and conflict in choice, especially when faced with novel/unstructured tasks or complex problems. Yet, one can choose in spite of better judgement (Abdolmohammadi and Wright, 1987; Bonner, 1994).

Finally, task complexity may also affect judgement and decision quality, as individual differences in memory processing capabilities or motivation may impact one's (unconscious) choice of information processing strategy. In this respect, the use of various heuristics such as anchoring or dilution bias upon information processing has been illustrated before, in order to reduce complex tasks of assessing likelihoods and predicting end values (Chapman and Johnson, 2002; Tversky and Kahneman, 1974). This seems to connote back to the current knowledge base on valuer judgement bias behaviour, implying that valuer judgement bias may occur when valuers may have to deal with task complexity in valuation practice. For the purpose of our study, we coincide with recent views on task complexity of Funke (2010) and Trotman et al. (2011) and adopt the concept of situational complexity, in which task complexity reflects a combination of task components and environmental features. As such, we define task complexity as an information processing activity that requires one's cognitive effort to produce judgement and selection of a preferred line of action, given the task at hand and the environmental settings present.

5.3 Methodology

In order to develop a comprehensive view of the relevant parts of valuation practice that are perceived as complex in relation to the wider task environment, a qualitative research approach was adopted based on an interpretative paradigm (Gioia and Pitre, 1990). The interpretative research paradigm assumes individuals to actively construct and interpret their own social environment, in which situations evolve over time, based on which they formulate preferred behavioural activity. To gain an understanding of such behaviour, one needs to "examine situations through the eyes of participants rather than the researcher" (Cohen et al., 2007, p.21). Accordingly, we have taken a grounded theory approach (Corbin and Strauss, 1990) to explore the valuation task environment and identify sensitive matters and reciprocal patterns of (inter-)actions between various types of actors (Verschuren and Doorewaard, 2015). Grounded theory is a qualitative research method aimed at generating theoretical constructs using in-depth interviews. By doing so, it combines both inductive (open and flexible research design and data sampling) and deductive elements (systematic coding analysis, verification by reiteration and

theoretical implications) according to De Boer (2011). Using this grounded theory approach, we are especially interested in perceptions of task complexity of commercial valuers and have posed the following research question: “What are the perceived elements of task complexity in Dutch commercial valuation practice and how do experienced valuation professionals deal with these perceived elements of complexity?” Different approaches to grounded theory exist. We undertook our study based on a number of scientific grounded theory ‘canons’ or systematic procedures as presented by Corbin and Strauss (1990), which is considered as one of the most acknowledged approaches to grounded theory research (De Boer, 2011). We will further outline this approach below.

Data sample

In line with the adopted research approach, in-depth interviews have been held with senior valuation professionals across various parts of the Netherlands. To ensure theoretical sampling, we employed a multiple respondent search strategy (i.e. direct contact, participation call through a newsletter and snowball sampling) targeting experienced commercial valuers willing to share their professional experiences. Subsequent contact with initial respondents took place in order to ensure relevant working experience of at least seven years in commercial valuation.

A broad interview protocol was set up based on sensitising concepts (Bowen, 2006), emerging from a review of international valuation standards from RICS (2017), TEGoVA (2016) and NRVt (2017) and literature review (see appendix 1). While the valuation standards provided us with a standard outline of valuation practice, the literature review added potential environmental topics that could complicate the work of valuation professionals, such as client expertise, information ambiguity, market competition, time pressure, et cetera). Interview questions were formulated broadly and open-ended to facilitate participant responsiveness and to maximise elaboration on individual experiences. A test interview session was conducted beforehand to ensure that selected topics covered the entire valuation procedure and question formulation was understood accordingly. In order to avoid leading questions and reduce respondent bias on sensitive issues, open-ended and neutral questions were posed with regard to valuation tasks that may require cognitive effort (i.e. information processing, reflection, judgement, peer consultation, decision making, et cetera). All respondents were granted full anonymity with regard to interview processing and reporting. The initial question prompted at the start of each interview was the following: “Could you describe the various stages that you pass through when undertaking a commercial valuation assignment?” Following this, each valuation stage was discussed thoroughly to identify elements of task complexity, while leaving the respondent with a sense of control to elaborate when deemed appropriate.

Interviews were conducted in the period March through May 2017 and were performed face-to-face at the participant’s location of choice (often one’s own office locations). Interviews

were undertaken one-on-one with an interviewer familiar with commercial valuation practice to facilitate an informal atmosphere. This would allow for an open bilateral conversation to encourage respondent's elaboration on potentially sensitive matters (De Lange et al., 2016). Interviews typically lasted between 60-120 minutes and were digitally recorded and transcribed.

By performing a constant comparison of new data with previously obtained information, interview questions were amended or added. Interviews continued until all interview data fit into patterns that emerged from previous data, indicating theoretical saturation (Rose et al., 2016), thus contributing to the data's transferability (Kaufmann and Denk, 2011). This resulted in a sampling base of 18 senior real estate commercial valuers with an average age of 49, an average working experience of twenty years and a diversified organisational and geographical background. Besides basic Dutch valuation requirements (labelled as RT), most respondents have gained international professional qualification(s) as illustrated by RICS membership/ fellowship (MRICS/FRICS) or TEGoVA's Recognised European Valuer (REV) certificate (see Table 4).

Table 4 Respondent profiles

Respondent	Valuation team	Qualifications	Age cohort	Education	Geographic scope
R1	Large	RT MRICS	31-40	Bsc/Msc	Nationwide
R2	Large	RT MRICS REV	41-50	Bsc/Msc	Nationwide
R3	Large	RT FRICS	41-50	Bsc/Msc	Nationwide
R4	Large	RT MRICS REV	41-50	Bsc/Msc	Nationwide
R5	Large	RT REV	31-40	Vocational	Nationwide
R6	SME	RT REV	>60	Vocational	Regional
R7	SME	RT	41-50	Vocational	Regional
R8	SME	RT	41-50	Bsc/Msc	Regional
R9	SME	RT REV	41-50	Vocational	Regional
R10	SME	RT MRICS	41-50	Bsc/Msc	Regional
R11	SME	RT	>60	Vocational	Regional
R12	SME	RT MRICS	41-50	Bsc/Msc	Regional
R13	SME	RT REV	51-60	Vocational	Regional
R14	Self-employed	RT MRICS	41-50	Bsc/Msc	Nationwide
R15	Self-employed	RT MRICS REV	41-50	Bsc/Msc	Nationwide
R16	Self-employed	RT MRICS	41-50	Bsc/Msc	Regional
R17	Self-employed	RT REV	>60	Bsc/Msc	Nationwide
R18	Self-employed	RT MRICS	51-60	Bsc/Msc	Regional

We have visually sorted respondents by organisational context. Large firm respondents typically work at major valuation teams in excess of 20 valuation professionals that are usually part of large, (inter-) national operating property advisory firms. SME respondents usually work in smaller teams (up to 10-15 valuation professionals) at offices that often deploy a regional scope. Self-employed respondents have frequently developed a certain valuation expertise, such as a geographic niche or have specialised in the valuation of complicated properties such as industrial complexes or other non-core real estate types.

Data analysis

Interviews were analysed using MAXQDA Plus version 12 software. Data collection and analysis occurred consecutively, while the interview protocol was adjusted accordingly based on interview results. Strict data coding procedures were followed using open, axial and selective coding principles and inter-researcher labelling design was applied to limit research-induced bias (Corbin and Strauss, 2008). First, we applied open coding labels with regard to various complexity-related valuation activities to structure interviews transcripts. Next, axial coding was performed to identify complexity patterns and relevant factors associated with task complexity (see appendix 2 for coding scheme). Subsequently, to support and authenticate the coding process and offset potential coding bias, a focus group discussion took place in June 2017 for triangulation purposes. Involving ten of the interviewed valuation professionals, the purpose of this discussion was to i) present and discuss initial outcomes on coding analyses; ii) allow for participant feedback in order to amend coding schemes; and iii) improve internal validity of obtained results (Bacharach, 1989). The focus group discussion, led by one researcher and two research assistants, was digitally recorded and fully transcribed for subsequent analysis purposes. The focus group session helped us to prioritise key issues of task complexity and relevant contextual aspects and was used as input for the final coding stage. This final stage, selective coding analysis, was aimed at specification of the core variables of task complexity and relevant influential factors related to the task or the task environment.

Data presentation

In order to avoid blurring between interpretation of respondents and interpretation by researchers, findings are presented as either first-order or second-order findings (Van Maanen, 1979). First-order findings represent interpretations of participants experiencing a phenomenon (i.e. overview of respondents' input) during interviews and the focus discussion group (Bacharach, 1989). Second-order findings represent authors' interpretation of interview data (i.e. interpretations of respondents' interpretations) and abstraction in order to contribute to a theorised overview on valuation task complexity (Jones and Alony, 2011).

5.4 First-order findings: perceptions of task complexity

In order to provide a systemised overview of data obtained from 18 in-depth interviews we have structured and grouped valuation activities according to respondents' input. In doing so, we drew on Bonner's (1994) input/process/output stage schedule to structure and present data on task complexity in order of real-life appearance. We start with input stage activities (i.e. valuation instruction, data collection), followed by the process stage (i.e. data analysis and value assessment) and conclude with output stage tasks (i.e. reporting and delivery). In addition, based on the varying organisational and contextual backgrounds of respondents, we have distinguished views of valuers employed by (inter-)national all-round valuation practices ("largeco valuers") from those working at regional small and medium-sized valuation practices ("SME valuers") and independent self-employed valuation professionals ("self-employed valuers") where appropriate.

The following section summarises interviewees' responses on six themes of task complexity that occur respectively in the input stage (one theme), process stage (three themes) and output stage (two themes) of commercial valuation practice and describes how valuers may behave when confronted with such complexity.

Input stage

Standard activities in the input stage usually involve valuation instruction, information collection and property inspection. Respondents indicate that task complexity in this stage may arise with regard to (upfront) client management.

1) Upfront client management. On average, relatively simple and straightforward office valuation instructions take between 8-12 hours according to respondents, a time budget on which fee levels are based accordingly. Such a narrow timeframe puts strict demands on each phase of valuation. In the input stage, respondents are dependent on the client for delivering relevant property information or returning a signed instruction letter. A delay in the input stage may cause concerns over forthcoming valuation stages on account of tight time budgets and hence may raise deadline concerns according to respondents (R4: "Clients may sometimes not be appreciative of valuation instructions, for instance in case of accounting purposes"). Such delays may relate to time spent on i) explanation of valuation reporting requirements and related fee levels; ii) ensuring timely retrieval of accurate, complete and authenticated property-related information; or iii) downsizing optimistic value outcome expectations by clients. Respondents claim these input stage complications may appear predominantly when working with clients that have limited or no in-house valuation practice expertise, such as SME companies, owner-occupiers or retail banks. Respondents indicated that clients lacking valuation expertise may be overwhelmed by 'sudden' property checklists or commented on owners that may be unwilling to share what is considered confidential information (R5: "It's sometimes quicker to go down

there and sort out relevant information myself, rather than wait here while the clock is ticking”). The fact that since the outbreak of the financial crisis in 2008, Dutch banks seized the role of formal counterparty in instructions may have stimulated this less cooperative sentiment amongst property owners, according to respondents.

In pursuing time-efficient client management strategies, respondents highlighted they may choose different lines of action. Some SME respondents indicate they would refrain from client contact as much as possible to avoid lengthy discussions and attempt to retain procedural power by simply referring to their general conditions (R10: “The work shall start upon timely receipt of information”). Others expressed a preference to invest in the client relationship to speed up the input stage. Thirdly, some SME respondents attempt to speed up the input stage by meeting their client at the subject property’s site and combine a property inspection with information retrieval. Largeco respondents did occasionally mention such client matters during interviews, as they benefit from in-house sales teams that handle client contact or from online access to data rooms containing relevant information. Their client base contains to a large extent institutional investors or finance banks for which they process portfolio instructions. Their main concern is therefore related to efficient process management and timely delivery of valuation packages to avoid any client indemnity claims. Self-employed respondents may work with similar non-real estate clients and experience similar complications as SME respondents. Yet, they seem more uniform in their approach when working on niche or specialist valuation instructions, as most self-employed respondents claimed a preference for upfront meetings with their client (or their advisors) to gain as much property information (background, history, plans) as possible (R14: “The client sits on a pile of relevant information he is often not aware of”). However, these specialist respondents indicated a wider time span available for input stage activities and higher associated fees due to the complexity of their assignments.

Process stage

Typical activities in the process stage of valuation practice include comparable transaction analysis, market sentiment analysis and modelling considerations. All three steps may provide task complexity challenges according to respondents.

2) Comparable transactions analysis. An important and sometimes time-consuming activity in the process stage is research and analysis of comparable rent and price transactions, which serves as guidance to the subject property’s value assessment. The acceptance of a specific recent transaction in relation to the subject property requires careful judgement, according to respondents, not only with regard to the comparability of a conceived transaction, yet also in relation to the quality of information provided on the specifics of that transaction (R6: “You need information on the property’s transactional context to determine the relevance of a comparable”). Where largeco respondents often use an in-house transaction database

that is fuelled and verified by research and brokerage departments, SME and self-employed respondents indicated they frequently sourced subscribed industrywide transaction databases for comparable transaction evidence. Unfortunately, the information quality of subscribed databases is perceived as average, as they do not always offer full transaction information for confidentiality reasons. This implies the need for verification. Both SME and self-employed respondents indicated they would contact brokers in the market involved in the specific transaction for this purpose, consult in-house agents to discuss the soundness of registered database information, or visually inspect relevant comparables in order to verify comparable property information and understand the finesses of a recent transaction (R11: "It may prove to be very difficult to ascertain the authenticity of registered features of comparable transactions"). Some self-employed respondents constructed their own database by recording and analysing potential interesting transactions within their niche area.

3) Market sentiment analysis. Obtaining an accurate and up-to-date view on current market sentiment relevant for the subject property requires the valuer to judge and select sources of market information, most notably in relation to consultation of peers, brokers and other market participants. This is a relatively unstructured yet important task for most respondents, arguing that current market sentiment insights are essential as information on comparable evidence may fall behind on current market developments, especially in dynamic markets (R3: "Buying information is buying history"). Most respondents indicate they often consult in-house broker departments to get a sense of market sentiment whenever a transaction closed. Such transactional details are usually not provided outside the organisation, and hence in-house brokers are generally perceived as the main link to the market place for both largeco as SME valuation respondents (R7: "I need to talk to in-house colleagues from letting or brokerage departments to feed me with the latest information on market sentiment"). Some respondents highlighted they benefitted from personal broker experience in understanding the current market sentiment (R4: "Valuers need to understand real estate transactions, which is something they can learn from transaction brokerage experience"). Self-employed valuers who do not have the luxury of in-house brokerage colleagues, indicated that they spend significant time on market sentiment analysis, by consulting relevant market parties or analysing research reports and newsletters (R16: "I spend most time on research, contacting brokers and so on to find out investors preferences and risk appetite").

4) Modelling considerations. Respondents make use of different valuation models to support their value estimates, including DCF, income capitalisation, and specific software models such as TMI (a Dutch valuation software tool). The use of valuation models requires valuers to judge the validity and reliability of input parameters and chose appropriate modelling support. Largeco respondents indicated they were often fuelled by research departments who undertake market analysis to support various modelling input assumptions (such as DCF discount

rates and exit yield determination) or even have in-house researchers attending expert client meetings to explain and discuss market visions (R2: “Selling your product requires rationale and substantiation”). Many SME and self-employed respondents did not benefit from such in-house support to underpin valuation models. They indicated (substantial) effort was required to find and analyse relevant parameters through consultation of market participants and brokers or examination of research reports. In coping with this time-consuming process stage activity, some SME respondents claimed a preference for the income capitalisation method, as DCF models were perceived as too complex due to a variety of forward-looking input variables (R9: “I often reject the use of DCF. What does the average client know about exit yields or discount rates?” and R7: “I don’t feel comfortable enough to use a DCF model for this property, due to the number of input variables to consider”). Others expressed a preference for the use of two models to allow for a comparison (R8: “I always employ several models to check on modelling errors and support a property’s value”). Thirdly, some SME respondents stated they prefer TMI software to ensure model profoundness, yet felt sometimes uncertain in explaining presented outcomes, due to the ‘black box’-nature of automated software. Self-employed respondents working on non-core valuation assignments observed various modelling issues. Appropriate modelling choices seemed to be based on judgement of the specifics of the valuation instruction, as well as likelihood of retrieval of relevant input parameters within due time and reasonable effort (R18: “I sometimes have to contact local governmental institutions to obtain relevant property information”).

Output stage

The output stage is characterised by the submittal of draft reports, potential client feedback to drafts and finalisation of reporting prior to delivery. In the output stage, discussion and modification of draft valuation reports are two complexity-related activities identified during interviews.

5) Discussion of draft valuation report. Respondents indicated that client discussion in the output stage can become problematic depending on the draft figures presented and the commercial interests of the client. While respondents indicate they may opt to present draft reports for reasons of fact checking or explanation of the valuation rationale, clients may choose to express their disappointment in presented figures or attempt to motivate valuers to alter draft figures (R7: “More than half [of clients] indicate their preferred value outcome”). Respondents had different views towards draft reporting discussions. Some argued they intentionally organise client meetings for fact checking purposes before final clearance (R12: “I may have been sloppy on account of work pressure”) or to avoid client friction (R5: “It is important that the client understands what I have written down in order to avoid friction. The more questions I get, the better”). Some largeco respondents indicated expert clients usually expect a meeting to discuss value assumptions (R1: “A good valuer will look forward to discuss market views

yet needs to uphold one's own value margin"). Others expressed that a client meeting also presented the opportunity to talk to active market participants and sharpen their own market views. Finally, a number of largeco respondents highlighted that such meetings would also encounter process management issues, especially with large portfolio assignments. Some SME respondents indicated that they choose to avoid client meetings on account of the type of client they serve, or only attend upon client request (R9: "Non-real estate clients will typically pose unwarranted questions"). Yet others preferred actively seeking face-to-face contact in light of client relationship management. Self-employed respondents stated they may need to sit down and explain their valuation outcomes to unknowledgeable clients. Furthermore, during such meetings clients may generate new yet relevant information on a complicated property valuation that self-employed valuers need to consider before final clearance of their report.

6) Modification of draft valuation report. Draft reports may be subject to alteration in case of identified errors or last-minute market information becoming available. While the former should take limited effort, respondents indicate that in case of updated information, for instance on recent comparable transactions, valuers put effort in judgement of both source and information verification. Serving institutional investors, largeco respondents stated that verification of fresh, confidential or client friendly market information may be time consuming yet serves little impact (R3: "Quite frankly, in 90% of instances we see no reason for modification"). Other respondents indicated that, depending on the valuation purpose and commercial interests, they may consider reaching a certain threshold number in case they "come sufficiently close to consider" (i.e. rounding) as long as value estimates are still sufficiently substantiated in the report (R12: "As long as I can defend amendments by available market data, I am willing to reconsider my views on the subject property"). Both SME and largeco respondents stressed that they focused on retaining their decisional power over modifications in case of client feedback, to emphasise their independence and expertise. This is because both real estate and non-real estate clients may exert unsophisticated pressure on respondents to alter values, such as non-payment or future business retention. Working on complicated valuation assignments, some self-employed respondents claimed their clients may present updated or new property-related information, leaving the valuer with last-minute verification issues and judgement calls on its relevance in relation to final value assessment (R14: "When a client sees the draft figures, they may try and alter these by presenting updated property information").

In summary, respondents state that different stages of valuation contain different elements of task complexity, relating to both task components and task environmental settings. As such, tasks in all three stages required valuers to weigh and select alternative lines of action to manage task complexity. Whereas the input stage mostly involves cognitive effort related to client communication, the process stage of valuation characterises itself by cognitive effort related

to analytical and data quality activities. Output stage activities require both communicative and analytical effort to arrive at a final value assessment and submission of a valuation report.

Furthermore, we find that experiences of task complexity differ by type of valuer. For example, in the input stage largeco respondents may to some extent experience client management complexity, yet less than other types of valuers as they work more often with professional real estate clients. Likewise, self-employed valuers exhibit more effort on modelling complexity in case of complicated valuation assignments compared to mainstream valuers.

In addition, we note that when dealing with elements of task complexity, valuers may employ different coping strategies to reduce or offset its complexity effects. Where SME respondents may either refrain from client contact in the output stage as much as possible, or proactively seek client contact to sustain long-term client relationships, self-employed respondents explained they predominantly arrange for client contact whenever needed to keep progress on their valuation instructions. Dealing with similar task complexity triggers different kinds of behaviour between the three types of valuers, yet SME respondents seem to exhibit greatest diversity in their reasoning strategies compared to other respondents.

In Figure 2, we have illustrated the six aspects of perceived task complexity identified in the different stages in the valuation process. Next, in order to provide more contextual information and to endorse a better understanding of the occurrence of task complexity, we turn to our second-order findings.

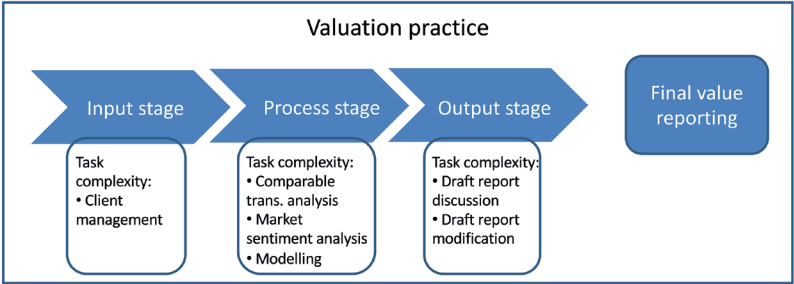


Figure 2 Aspects of perceived task complexity

5.5 Second-order findings and theoretical implications

We started our paper by introducing the need for a closer examination of valuation task complexity in order to be able to obtain a comprehensive understanding of valuer judgement behaviour. Hence, the outcome of our grounded theory approach study should offer a theory of the ‘middle-range’, connecting general theories (i.e. on valuer judgement behaviour) to a

more specific context of, in our case, types of commercial valuers (Corbin and Strauss, 2008; Rose et al., 2016). During interviews, respondents were encouraged to explain their perceptions of task complexity. As such, they elaborated on the task environment in which they operate and discussed features of their organisational setting, market positioning and client base. This input provided valuable contextual information with regard to gaining an understanding of their perceptions of task complexity. More importantly, we discovered that the contours of the task environment vary according to type of valuer (i.e. largeco/SME/self-employed valuer). As such, contextual information on work settings of respondents enabled us to construct different task environments for each type of respondent. These constructs of respondents' interpretations are labelled second-order findings and are generated as an intermediate link connecting valuer perceptions to theoretical implications on valuer task complexity. Next, we describe our second-order findings by means of task environment constructs of largeco respondents, SME respondents and self-employed respondents respectively, and illustrate how these environmental settings may impact respondents' perceptions of task complexity. We conclude this chapter with an overview of theoretical implications on valuation task complexity in relation to the current knowledge base on valuer behaviour and judgement bias.

Second-order findings: constructs of task environments

Largeco respondents predominantly work for larger clients due to their ability to process large-scale (portfolio) valuations in a time-efficient manner. Such clients often represent professional real estate companies such as institutional investors or finance banks that either manage or finance real estate and require periodic valuation updates. With real estate being their primary business activity, key contact persons within these client organisations often possess (significant) valuation expertise themselves. Furthermore, the significant trading volumes motivate these clients to focus on timely processing of their valuation requests, and to work with several valuation firms that are rotating periodically for quality control purposes. Hence, market competition is mainly encountered from other large (inter-)national valuation offices. Working with such clients, largeco valuers are concerned with optimisation of valuation lead times and avoidance of process delays. Process management is considered a main priority (R4: "Whenever things are delayed for reasons beyond our control, the client is informed immediately to avoid any misperceptions over our process management skills. That would raise serious concerns with our clients"). In addition, most largeco respondents claimed they work with pre-negotiated valuation instructions to facilitate a rapid valuation start and enjoy (fully) automated and digitalised valuation processes to ensure maximum efficiency. On the other hand, largeco valuers have to match high client expertise, for instance during draft reporting meetings, which is why they often work in specialised industry-specific teams serving a particular type of client (i.e. bank clients team, care industry team, et cetera). Furthermore, they often maintain close contact with other departments within the organisation such as investment brokers, letting agents, consultants and research and development teams to support and validate their value assessments. Hence,

they frequently benefit from premier information quality facilitated in-house to service client discussions, and (fully) automated workflow schedules to enlighten routine tasks. As such, largeco valuers attempt to meet high client standards on process execution as well as market expertise, while working on tight deadlines.

SME respondents often work at real estate organisations with a regional presence in which different business lines are offered besides valuation, such as brokerage and property management. Although they may work for finance banks and professional real estate clients as well, requiring in-depth market knowledge, they usually do not process large portfolio valuations. A significant number of their clients involve local owner-occupiers, retail banks, local public institutions and private investors; clients with modest levels of in-house valuation expertise that quite often do not sufficiently match the valuation expertise of SME valuers (R13: “Quite regularly, clients may ask for a valuation for finance purposes while they are actually in need of a valuation report for another purpose such as fiscal transfer” and R11: “I often have to talk in layman’s terms to explain the process and obtain relevant information”). SME valuers may sometimes work with standardised valuation instruction forms in case of recurring clients. Additionally, valuation processes of SME respondents are to some extent automated and digitalised, yet not as sophisticated as compared to some of the largeco valuers due to lack of scale. They frequently cope with fee competition from both other SME valuers as well as small-scale or self-employed valuers working from home offices, who bring down valuation fee levels. Hence, available time budgets are felt to be under pressure (R11: “I feel obliged to work nights or weekends to complete valuation reports”). As their team sizes usually do not allow specialisation, SME respondents tend to perform all-round valuation services. To facilitate market input, SME valuers usually have an in-house brokerage department, yet they often lack a (sizeable) research department to assist in data verification and information analysis. In summary, clients of SME valuers often lack (detailed) valuation expertise and may have less concern with process execution as they usually do not request portfolio valuations. Nonetheless, SME valuers experience to a certain extent comparable tightness in deadlines as do largeco respondents, while they seem to lack the level of in-house support or process automation that the latter enjoy.

Self-employed respondents are often specialised in performing valuation services. They have typically developed valuation expertise in certain geographic areas or have specialised in certain niche types of valuation which they perform nationwide, such as industrial complexes or leisure properties. Their specialism offers them to some extent a privileged position in terms of fee negotiations due to limited competition (R15: “In our market, we deliver tailor-made reports that constitute 35-50 pages depending on the number of buildings erected on-site”). Alternatively, when competing with SME valuers on standard property value assignments within their region, they may offer competitive fee levels working from their home offices. They tend to work for a variety of clients depending on their expertise, however most of their clients

are non-professional real estate parties such as owner-occupiers. Furthermore, they may be contracted by other valuers who seek niche expertise in case of specialist valuation requests. Similar to SME valuers, self-employed respondents may use standardised instruction forms, however on many occasions they need to guide unfamiliar clients through the input (and other) stages of valuation (R17: “I always perform a final client check to ensure all relevant information is incorporated in the value assessment”). Although they often work on complicated or specialist assignments, they lack in-house R&D or brokerage support. This is why self-employed valuers spend significant time on research and market analysis themselves, for instance by networking and database management. Finally, they only enjoy basic standards of work flow automation, as their organisational setting lacks scale or resources for considerable IT investments. Yet, this presumed lack of process optimisation is to some extent offset by lengthier valuation lead times to accomplish their specialist work. In conclusion, self-employed valuers work predominantly for clients with limited valuation expertise and limited process execution concerns when working on specialist valuation instructions. However, working independently they lack support in value assessment while usually benefiting from limited process automation due to cost or scale issues. This is offset by less strict timeframes to accomplish their instructions. For clarification, we have summarised key variables of task environment constructs in Table 5.

Table 5 Perceived aspects of task complexity in Dutch valuation practice

Existence of:	Largeco valuer	SME valuer	Self-employed valuer
Client process standards	Medium to high frequency	Low to medium frequency	Low frequency
Client expertise standards	Medium to high frequency	Low to medium frequency	Low frequency
In-house support	High (R&D, brokerage, letting input) frequency	Medium (brokerage, letting input) frequency	Low frequency
Process automation	Medium to high automation	Medium automation	Low to medium automation
Time budgets	Tight	Medium to tight	Medium

Theoretical implications

Previous research has highlighted the complicated valuer-client relationship and the implications of information ambiguity for the quality of valuation assessment. Valuers may experience judgemental dilemmas when coping with information ambiguity or client influence, which may lead to inter-/intrapersonal judgement bias (Klamer et al., 2017). By relating our findings to the current knowledge base on intrapersonal and interpersonal judgement bias, specifically with regard to the valuation context in which judgement bias may occur, we are able to progress our understanding of valuer judgement behaviour.

Intrapersonal judgement bias

The process stage of valuation requires cognitive effort to perform information-rich tasks such as comparable transaction and market analysis. Previous research points to the presence of heuristics such as anchoring bias or recency bias in comparable transaction selection (Diaz and Hansz, 1997; Tidwell and Gallimore, 2014; Gallimore, 1994; 1996). Our findings confirm the complexity of analytical activities in the process stage, especially for SME valuers and self-employed valuers. While information ambiguity requires judgement and selection from all types of valuers, smaller-sized valuation teams usually lack in-house support to assist in data verification. Given current limited time budgets in valuation nowadays, a lack of such support may provide an environmental setting in which heuristic bias is more likely to occur. It is not said, however, that largeco valuers are less prone to intrapersonal bias *because* they enjoy substantial in-house support. Processing entire portfolio valuation instructions requires significant cognitive effort, which may elicit associated bias risks as well.

Likewise, our findings point out that SME valuers and self-employed valuers enjoy less advanced levels of automated work flows than largeco valuers do. We learned that assignments of stand-alone commercial properties take on average 8-12 hours to complete. Working on tight time budgets, process automation may assist in expediting time-consuming routine tasks such as drafting of reports, filing or information retrieval. Consequently, a lack of IT-support may create a setting in which intrapersonal bias is more likely to occur, although respondents seem to find different ways to deal with strict deadlines (i.e. junior employee involvement or back-office assistance). Both in-house data expertise and process automation may therefore support valuers to spend sufficient time on cognitive tasks and hence reduce the likelihood of intra-personal judgement bias in value assessment.

Interpersonal judgement bias

Previous research has indicated that professional real estate clients may use 'expert power' to influence valuer's final assessment. This predominantly occurs in the final valuation stage when draft figures are presented during client meetings (Levy and Schuck, 1999; 2005; Baum et al., 2000). Our findings confirm the 'environmental' presence of clients throughout valuation practice but may nuance its effects to some extent. Expert clients may relieve some of the input task complexity, as this type of client is generally aware of valuation instruction procedures and may anticipate property information verification. However, anticipated draft meetings with knowledgeable clients may motivate valuers to put additional effort in process and output stage activities in order to prepare for expert questions. Likewise, non-expert clients may complicate input stage activities as our findings have illustrated, yet may generate less complications in the process stage. In case of complicated assignments however, (additional) meetings with non-expert clients may take place throughout valuation practice to ensure collection of all property information deemed relevant or explanation of valuation steps performed.

Furthermore, we know that valuers may be susceptible to last-minute value adjustment pressure by clients, while lacking sufficient time for data verification and analysis (Nwuba et al., 2015a; Kinnard et al., 1997). Non-expert clients may use unsophisticated means to pressure valuers (i.e. non-payment), as they lack expertise to change valuers' market perceptions (Levy and Schuck, 1999). Our findings confirm that all types of clients may exert value adjustment pressure, yet not all types of clients seem to have equal means to do so. We recall that client expertise (besides client retention) is an important consideration for respondents to attend a client meeting in the output stage, as expert client meetings may provide an opportunity to obtain up-to-date market intelligence and update one's own market views (R9: "Why bother organising a client meeting if the client only focuses on the bottom line figures?"). Alternatively, valuers may choose to attend non-expert clients for client relationship purposes to ensure subsequent instructions, which may trigger bias opportunities as well. Hence, interpersonal judgement bias risks may be activated in both expert and non-expert client settings depending on environmental settings.

5.6 Discussion

We have aimed to illustrate how perceptions of task complexity may differ between valuers by interviewing a group of experienced Dutch commercial real estate valuers. The structured process of grounded theory, saturation of data by means of in-depth interviews and focus group discussion contribute to the validity of results (Corbin and Strauss, 2008). However, our research approach yields some important limitations that we will address below.

First, we point to the phased outline of our first-order results by means of three valuation stages that appear in chronological order, which may be considered common practice in similar descriptive research of task complexity (Bonner, 1994). While this has helped to identify how perceptions among respondents may vary, respondents have indicated that some activities may be performed simultaneously rather than sequentially (e.g. reporting) or may have reiterative patterns (e.g. modelling). For clarification purposes we have ignored the concept of 'dynamic' task complexity, which involves the (in)stability of task relationships over time (Wood, 1986). Inclusion of such an element of task complexity would probably add to the overall perceptions of task complexity yet would require a form of longitudinal research. Second, we point to our data sample. The use of grounded theory protocols (e.g. theoretical sampling, constant comparison of data and coding schedules) led us to compile a field sample of 18 senior commercial valuers with various professional backgrounds, facilitating a broad range of perceptions on task complexity. However, our data do not provide a full overview of coping strategies when faced with such task complexity. Using an interpretative approach, we aimed to point out the diversity in valuer behaviour, rather than providing a comprehensive overview of occurring behavioural patterns. Finally, our results should be regarded as descriptive for the Dutch valuation industry. Although we recognise that regulation from professional institutions RICS and TEGoVA has significantly

contributed to the creation of uniform international valuation standards over the years (and likewise, harmonisation of international valuation practice), domestic market settings may have their own specifics in terms of legislation or market transparency that prevents cross-border generalisation. The Dutch valuation industry is considered mature, as pointed out before, yet faced a noteworthy development recently: the launch of the new Dutch valuation authority NRVt in 2016 which implied advanced regulation for the industry (NRVT, 2016). This required a period of familiarisation with adjusted game rules for both valuers and clients, indicating temporary additional task complexity in the input stage of valuation (i.e. instruction letter amendments).

Besides industry specifics, we also point to the dynamics in the real estate market itself that may affect perceptions of task complexity. At the time of interviews in spring 2017, the Dutch real estate market was featured by positive market sentiment on account of economic growth and low interest rates, fuelling demand for valuation services across the industry (JLL, 2017, NVM, 2017). Virtually all respondents indicated they anticipated “plenty of work” and none expressed concerns about the pipeline of new business, which may affect perceptions of valuer-client relationships, and related task complexity aspects. The above findings point out that our results on task complexity should hence be regarded as ‘situational knowledge’ within the Dutch valuation practice (De Boer, 2011). Future research may address the importance of local market and industry settings in understanding local valuer behaviour.

5.7 Conclusions and recommendations

The aim of our study has been to explore the manifestation of valuation complexity in a relatively mature real estate market as the Netherlands. Using a grounded theory approach, we interviewed senior Dutch commercial valuation professionals to elaborate in close dialogue on their professional experiences. Specifically, we addressed the following research question: “What are the perceived elements of task complexity in Dutch commercial valuation practice and how do experienced valuation professionals deal with these perceived elements of complexity?” Our findings yield three important conclusions.

First, we point out the existence of situational task complexity in commercial valuation, as valuers need to put cognitive effort in aligning various task components with environmental factors in six complex task modules throughout valuation practice. Input stage complexity is generally related to (non-expert) client management issues to ensure an appropriate valuation start, while process stage complexity requires analytical effort to assess (ambiguous) market information and comparable evidence. Output stage complexity corresponds to dense client discussions and last-minute report modification choices and so involves both analytical and communicative cognitive effort from valuers. Such perceptions of task complexity differ by type of valuers, as valuers working at large valuation firms more often work for expert clients such as institutional investors

or finance banks than those employed by small and medium-sized valuation firms. Likewise, self-employed specialist valuers spend relatively more effort on analytical and modelling activities due to the nature of their often complicated valuation assignments. Second, when dealing with these elements of task complexity, we found that different types of valuers exhibit different coping strategies. Although individual valuers demonstrated a broad range of reasoning behaviour, we found that the task environment is a key variable in explaining such divergence between types of valuers. These task environment constructs essentially represent elements of client standards, market competition and the valuation organisation. As such, we found that environment features strongly coincide with the perception of task complexity throughout valuation practice. Third, we conclude that environmental features impact the extent of both intrapersonal and interpersonal judgement bias in commercial valuation practice. Intrapersonal judgement bias such as heuristic behaviour is more likely to be triggered in valuation settings that lack substantial in-house expert support and process automation to deal with information ambiguity. Interpersonal judgement bias as client pressure may prevail among all valuation types for client retention purposes yet is also related to (receptiveness to) client expertise exercised in draft reporting meetings.

Our findings also point out a number of recommendations. First, while our descriptive research contributes to our understanding of the occurrence of judgement bias within the context of daily commercial valuation practice, further research is required to investigate the extent and magnitude of relationships between perceived task complexity, final value judgement and judgement bias. Second, although environmental settings and task complexity strategies may coincide to an important extent, it does not explain why behavioural patterns may also differ *within* types of valuers. This indicates the need for examination of other factors besides the task environment that may influence value judgements or trigger bias-related behaviour. Most notably we point to idiosyncratic elements, such as motivation, cognitive and communicative abilities. In comparison with the audit industry, investigation of the impact of such elements on judgement behaviour remains considerably underexposed in the valuation knowledge base. Finally, the perceived differences in task complexity among commercial valuers may yield important educational implications. Both analytical and communicative competences seem essential skills in dealing with task complexity (i.e. interpretation, assessment and judgement skills) and hence require advanced professional development in our view. However, such professional development should not be structured as a one-size-fits-all educational program, as the valuation profession, at least in the Netherlands, is a heterogenic population that deals with task complexity issues at different levels and in different settings.

Appendix 1: Interview protocol

General respondent profile

- Age
- Years of experience
- Educational background
- Time spent on valuation
- Size of organisation
- Size of valuation team

Introductory question

1. Description of various stages when undertaking commercial valuation assignment

Valuation Instruction

2. Steps to perform from introduction to signing
3. Practical issues instruction letter
4. Conflict of interest and previous professional involvement
5. Valuation expertise in relation to assignment
6. Peer cooperation in relation to assignment

Information collection

7. Information retrieval in relation to property or market information
8. Information sources and research activities
9. Property site inspection and irregularities
10. Lack of information / poor quality data
11. Price knowledge or previous valuation knowledge
12. Client review

Information analysis

13. Fact checking and assumption verification
14. (Un)certainly over information quality/quantity
15. Risk analysis in relation to value assessment
16. Choice of valuation model in relation to value assessment
17. Tenant risk and property risk analysis
18. Assessment of value adding factors and related risks

Reporting and finalisation

19. Draft version submittal decision
20. Draft report discussion and modification

- 21. Client interests and client pressure
- 22. Value range and final value estimate
- 23. Quality measures

Client

- 24. Independency issues and client relationship management
- 25. Client satisfaction and conflict management
- 26. Client requests and value assessment
- 27. Conflict and instruction management
- 28. Transaction context relevance
- 29. Quality control versus client deadlines

Other

- 30. Other complications in valuation practice
- 31. Complicated property valuation
- 32. Impact of regulation on valuation practice

Appendix 2: Axial coding scheme

<p>INPUT</p> <ul style="list-style-type: none">• Client contact• Instruction letter• Information retrieval (market, client, database)• Property inspection <p>PROCESS</p> <ul style="list-style-type: none">• Model (choice, input parameters)• Market sentiment• Comparable transaction analysis (reliability)• Value assessment• Accountability <p>OUTPUT</p> <ul style="list-style-type: none">• Reporting• Draft report (submittal, explanation, adjustment)• Client feedback• Final delivery	<p>TASK CONTEXT</p> <ul style="list-style-type: none">• Organisational support (research department, broker department)• Type of client (bank, investor)• Client valuation expertise• Motivation valuation request (transaction, annual account)• Business process (workload, efficiency, assistance, time budget, quality management, filing)• Industry regulation (NRVT, RICS)• Market setting (fee levels, competition) <p>TYPE OF PROPERTY</p> <ul style="list-style-type: none">• Nature of property (simple/complex)• Research effort• Substantiation and explanation• Timing• Modelling
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6



How client attachment affects information verification in commercial valuation practice

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Abstract

Purpose – Information verification is an important factor in commercial valuation practice. Valuers use their professional autonomy to decide on the level of verification required, thereby creating an opportunity for client-related judgement bias in valuation. The purpose of this paper is to assess the manifestation of client attachment risks in information verification.

Design/methodology/approach – A case-based questionnaire was used to retrieve data from 290 commercial valuation professionals in the Netherlands, providing a 15% response rate of the Dutch commercial valuation population. Descriptive and inferential statistics have been used to test research hypotheses involving relations between information verification and professional features that may indicate client attachment such as an executive job level and brokerage experience.

Findings – The results reveal that valuers acting at partner level within their organisation obtain lower scores on information verification compared to lower ranked valuers. Also, brokerage experience correlates negatively to information verification of valuation professionals. Both findings have statistical significance.

Research implications – The results reflect valuers' reasoning behaviour rather than actual behaviour. Replication of findings through experimental design will contribute to research validity.

Practical implications – Maintaining close client contact in a competitive environment is important for business continuity yet may foster client attachment. The associated downside risks in valuation practice call for higher awareness of (sub-conscious) client influence and the development of attitudinal scepticism in valuer training programmes.

Originality/value – This paper is one of few that explores possible sources of valuer judgement bias by relating client-friendly valuer features to a key area of valuation, i.e. information verification.

6.1 Introduction

Professional standards require real estate valuers to produce accurate valuations sustaining public confidence in their work. The importance of information verification skills in this is recognised by relevant professional institutions, which require valuers to undertake reasonable steps to judge the extent to which the information provided is likely to be reliable (RICS, 2017a; TEGoVA, 2016). However, the accuracy of valuation reports is debated due to perceived influence of clients impacting valuer's autonomy (Levy and Schuck, 2005). Valuers are often hired, paid, and fired by clients to provide value estimates on their properties, indicating issues of client attachment¹⁷, independence and associated judgement bias (Baum et al., 2000; Newell et al., 2010).

Acting in competitive market places, valuers often work under time pressure to deliver their reports. When it comes to information verification, a valuer needs to find a balance in effort, somewhere on a continuum between the extremes of paranoia (i.e. overdone effort which will boost quality yet extend the process) and naiveté (i.e. limited effort implying lowering reporting quality yet assuring timely completion) (Nelson, 2009). Valuers use their professional autonomy to make such judgemental decisions, providing scope for judgement bias related to client influence and the use of heuristics. As such the context of valuation practice does not materially differ from other professional service industries as tax, audit and consulting (Tepalagul and Lin, 2014). However, the topic of judgement bias has been explored only marginally in real estate valuation, contrary to for instance the field of auditing where it has received wide research attention (Trotman et al., 2011; Klamer et al., 2017).

Bias in judgement may expose itself in various ways, ranging from deliberate bias (i.e. fraud) to subconscious levels of bias. Regardless the manner, the manifestation of bias is by definition idiosyncratic and may relate to one's knowledge base, experience or personality. Psychological research on the impact of self-serving bias proposes that unconscious judgement bias is far more pervasive than conscious bias (Moore et al., 2006). Furthermore, it is argued that professionals are often unconsciously less sceptical of clients with whom they have developed close working relationships (Bazerman et al., 1997).

Studies on valuer characteristics in relation to client-related bias seem limited however. Levy and Schuck (1999) find that age and experience could impact valuation outcomes, as younger valuers tend to be more methodological in their approach, whereas older and more experienced valuers tend to make greater use of 'gut feeling' in their judgement. In addition, valuers that are

17 In this regard, client attachment is perceived as actual or sought-after close working relationships with clients that may affect neutral or independent judgement.

involved in commercial work (i.e. brokerage activities) tend to be vulnerable to judgement bias (Northcraft and Neale, 1987; Amidu and Aluko, 2007b). Aluko (2007) finds that heads of combined valuation and agency departments, while experienced, are likely to demonstrate judgement bias as well. Given the close interaction between professional and client in valuation practice, we consider the limited attention on valuer characteristics in relation to client-related judgement bias a drawback in behavioural valuation research.

This paper aims to shed more light on the manifestation of client-related bias in valuation practice. More specifically, it concerns the relationship between a valuer's choice of information verification and professional work experience and job position. We performed this study in the Netherlands using case-based questionnaires. Dutch commercial valuers operate in a transparent market place featured by strong market competition (JLL, 2018). In 2015, the Dutch valuation industry witnessed the instigation of stricter valuation guidelines with the launch of a new certification institute NRVt. Advanced regulations are in part based on 'best practice' recommendations adopted from the audit industry (NRVT, 2017; PTA, 2013). The combination of a competitive market setting and increased guidelines provide challenging circumstances to Dutch valuers with regard to information verification effort, time pressure and client retention.

The remainder of this paper is structured as follows. The next section comprises a literature review on client attachment in professional service industries in order to deduce our research hypotheses. Subsequently, we present our research methodology. The final section outlines key findings and discusses practical implications.

6.2 Review of the literature

Successful performance in professional service firms require professionals to act independently, i.e. be free from relationships that a reasonable person would expect to increase the risk of losing judgement-making impartiality (Johnstone et al., 2001). However, successful performance often also requires close interaction with clients (Achu, 2013). This may be referred to as the 'client contact paradox', referring to an effective client mode while balancing between public and private interests. Johnstone et al. (2001) point to the dual impact of incentives with regard to judgemental quality in such industries. Direct incentives (i.e. monetary benefits such as fee income, employment, financial reliance on clients) and indirect incentives (interpersonal relationships with various stakeholders including client relationships) are meant to stimulate and reward high service quality, yet can punish malpractice performance (Shaub and Lawrence, 2002; Johnstone et al., 2001). Given that clients have discretionary power to terminate service provision, the concept of service failure can easily be stretched to include the extent to which clients' needs are not being fulfilled or interests are not being served. For example, a real estate

valuer showing inflexibility to reconsider his valuation figure for a loan requirement may trigger client switching behaviour (Levy and Lee, 2009).

In this regard, reference is made to an upcoming commercialism in professional service industries. In auditing firms the traditional professional-technical orientated view on auditing, which underlies the provision of public sustainable audit opinions, has been overcome by a commercial logic associated with revenue growth and future business perspectives (Spence and Carter, 2014; Liu and Simunic, 2005). Valuation and auditing professionals both perform public interest tasks in a commercial environment, and often work together in preparation of financial reporting standards.

In response to client attachment-sourced audit failures, a call for 'professional scepticism' towards evidential input was introduced in 1988 in auditing standards, which has since been regarded as a key component of professional due care (Nelson, 2009). The element of professionalism in information verification characterises the propensity of an individual to defer concluding until the evidence provides sufficient support while disregarding client opinions or client interests (Hurt, 2010). It therefore requires both attitude and effort, including a questioning mind and a critical assessment of relevant evidence (Shaub and Lawrence, 2002).

Valuation and auditing professionals face comparable client-related issues challenges, as both perform public interest tasks in a commercial environment. As valuers more often assist in the preparation of international financial reporting standards, the International Valuation Standards Council identified the need for more effective cooperation between both professions (IVSC, 2012). The 'client attachment'-concern was also raised in Dutch valuation practice by local regulators (PropertyNL, 2017). The Dutch valuation industry is organised relatively fragmented, with about 2,000 commercial real estate valuers presently working in approximately 1,400 organisations (NRVT, 2018). Consequently, relatively many valuers will hold a senior or partner position within their respective firms. Furthermore, Dutch real estate professionals are allowed to combine valuation and brokering activities in professional practice (albeit not simultaneously and subject to meeting the relevant certification routes for each track). From the perspective of clients, professionals who offer multiple services to a single client or perform their work on executive levels may be (perceived to be) incentivised to support client interests on account of a profound client relationship or economic incentives. This leads us to two features of attachment risks: job level and brokerage experience.

Job level

Higher ranked professionals usually may have more professional experience but also more personal involvement in judgement behaviour than lower ranked professionals, as it is likely that they have served their clients longer (Bonner, 2008). Valuers with equity ownership within

their firm combine several professional roles including the role of principal (co-owner sharing in organisational profits and responsible for revenue growth) and agent of the firm (protecting the firm's reputation and managing output quality). These - potentially conflicting - roles need to be aligned in the partner's incentive package through firm compensation arrangements. Coram and Robinson (2017) indicate that audit partners whose compensation is closely tied to business revenue and client retention are more likely to be influenced by client evidential preferences.

Basically, professionals with solid industry expertise should be able to counter the client's preferences on evidential input with persuasive arguments. However, Shaub and Lawrence (1996) state that the effect of experience could be confounded by lower stages of ethical reasoning once higher positions in the firm have been reached (Ponemon and Gabhart, 1990). Knechel et al. (2013) add that partners have a high degree of autonomy to exercise professional judgement in the course of an engagement, based on relevant experience achieved. Judgement quality may be affected if compensation incentives undermine the partner's scepticism and objectivity toward commercial client interests.

Based on the above, we postulate that valuation professionals that reached partner level benefit from substantial professional experience, maintain longstanding client relationships and enjoy high autonomy in judgement and decision-making. Yet, higher ranking implies more incentive-based compensation packages, potentially fuelling a more client-oriented attitude in comparison to lower ranked valuers. Hence, for research hypothesis 1, we expect valuers who hold a partner position within their organisation to obtain lower scores on information verification than less senior valuers.

Brokerage experience

The supply of multiple services within a business practice, such as combining audit and financial consulting or valuation and brokering services, can be viewed as either leading to efficiencies or impairing objectivity (Frankel et al., 2002). The first view is that the professional's knowledge of the client company is enhanced, and that such knowledge spill-over effects increase efficiency effects. The latter view is that economic dependence is increased and the relationship becomes too close, adversely impacting independence.

The commercial role of brokering activities, i.e. best serving the client's private interests in real estate transactions, strongly contradicts the public nature of valuation activities. Real estate brokers benefit from a client-friendly attitude, while valuers are expected to provide accurate and independent valuations upon which real estate financiers and investors – and ultimately the entire financial system – can rely. A professional offering both services to clients may face professional dilemmas upon role switching. The more services are provided to a single client, the greater the dependence will be on the client and hence the greater the desire will be not

to lose that client's (future) services (Herath and Pradier, 2018; Beattie and Fearnley, 2002). Cross-selling hence provides a trigger for client attachment (Shaub and Lawrence, 1996; Nelson, 2009). As such, brokerage experience may enforce a commercial, client-friendly attitude that (sub-)consciously impacts valuation objectivity.

Based on the above, we propose that the provision of valuation in combination with brokerage services creates client attachment through both economic incentives and interwoven client relationships. As a result, valuers with (substantial) brokerage experience may perform less critical information verification. For research hypothesis 2, we therefore expect brokerage experience to show negative correlation with information verification.

6.3 Research methodology

Questionnaire structure

In order to test our hypotheses, we have set up a case-based questionnaire that is distributed by means of an online survey tool. Besides its reach within the population, a questionnaire survey will enable us to distinguish variance in levels of information verification across respondents and statistically explore links with client attachment indicators (Verschuren and Doorewaard, 2015). Furthermore, the advantage of response anonymity should reduce potential social desirability bias effects (e.g. stimulate 'correct' answering behaviour rather than truthful answering (De Lange et al., 2016)). Our questionnaire consists of three parts:

1. Respondent profile features to confirm sample homogeneity and provide relevant valuer characteristics for hypothesis testing;
2. Three business cases offering three recurring answering modes to choose from;
3. Six Likert-based statements (scale 1-5) reflecting self-perceptive views on information verification.

The three cases involve practical work situations in different stages of valuation practice. The respondent is required to select one (out of three) recurring answer modes in each case. An example case is included in appendix 1. To acknowledge potential client attachment issues in information verification, we refer to Johnstone et al.'s (2001) typology of independency risk. Their typology is used to exhibit varying information verification strategies in case answer modes as follows:

- Substantial information verification (SIV), reflecting a *questioning* mind towards client-related information as evidential input in value assessment;
- Limited information verification (LIV), reflecting a *client-friendly* mind towards client-related information as evidential input in value assessment;

- Refusal of information verification (RIV), i.e. reflecting a (*risk-*) *averse* mind towards client-related information as evidential input in value assessment.

Substantial information reflects a neutral stance as valuers are expected to soundly investigate all input information, including information derived from clients or related to client interests. However, sound investigation requires verification which may entail risking project deadlines and time budgets (Shaub, 1996). Contrary, valuers that opt for limited verification have a tendency to easily trust their clients because they assume others are generally trustworthy (Fatmawati et al., 2018). Such an attitude may stimulate acceptance of biased information rather than (critical) examination (Toba, 2011; Einhorn and Hogarth, 1981). Rejection of subjective client-related information relates to valuers who do not easily trust people and endorse a presumptive doubt perspective (Fatmawati et al., 2018). Such an attitude may imply high quality standards and loose economic bonds with clients due to concerns over litigation and reputation risk, yet it may overlook potential relevant information to substantiate reporting (Nelson, 2009; Shaub, 1996).

In order to enhance construct validity, all three cases reflect realistic work-related situations of different parts of valuation practice that have been discussed with three senior commercial valuation professionals to ensure realistic yet neutral answer modes. Furthermore, to offset potential response bias in case answering we also included six statements on features of information verification, which function as control variables on case answers (i.e. high scores on information verification in the cases would imply high scores on one's attitude towards information verification). The attitudinal statements are based on Hurtt's (2010) literature review on characteristics of professional information verification across different fields (e.g. psychology, philosophy and consumer behaviour).

Data sample

At the time of research, NRVT holds approximately 7,000 registrations of qualified valuation professionals in the Netherlands. This includes approximately 2,000 commercial property valuer registrations (i.e. excluding residential and agricultural valuation services). The commercial subset of 2,000 professionals is our population.

In order to achieve satisfactory response on our case-based questionnaire, we have made use of two surveys. One survey was sent out to commercial valuation professionals enlisted with the ACADEMIE VOOR VASTGOED, a nationwide institute for permanent real estate education. The other survey was distributed to commercial valuers registered at Dutch valuation certification institute NRVT who had not enrolled at the ACADEMIE VOOR VASTGOED. We performed sample distribution analysis on both subsets which revealed no material differences on professional features of respondents. This enables us to combine both subsets into one sample of 290 respondents, resulting in an overall 14.5% response rate.

The relatively low response rate can partially be explained by non-response feedback, which included incorrect sampling (i.e. respondent was not yet or no longer registered as a full commercial valuer) and timing issues. In addition, the fact that the business cases may require some mental effort may explain the relatively low response rate as well: a total of 241 respondents aborted the questionnaire when reaching part two involving the business cases. We tested for non-response bias by examining the difference in profile features between finished (290) and unfinished (241) questionnaires. Depending on the measurement scale of variables such as age, education and organisational size, we applied T-tests, Mann-Whitney U tests and Chi square tests to specify differences in respondent profiles between the two groups. No significant differences ($p < 0.05$) in profile features emerged as is illustrated in appendix 2.

Data analysis

In order to test our hypotheses we made use of SPSS Statistics software version 24. Information verification is measured ordinally, as is explained in the next section. Job level, the first independent variable, is ranked ordinally (e.g. ranging employee/manager/(co-)owner). We applied a non-parametric Kruskal-Wallis H test to analyse mean variance differences for job level data (Baarda et al., 2014). Kruskal-Wallis is considered the non-parametric alternative to the one-way ANOVA test and an extension to the Mann-Whitney U-test to allow for a comparison of more than two independent groups (De Vocht, 2010). Brokerage experience is the other independent variable, which is measured as a discrete variable shown in number of years. Standard correlation testing procedures for variables measured at least at ordinal level have been conducted using Spearman Rho and Kendall tau rank coefficients.

6.4 Results and discussion

Descriptive statistics

Below we provide some descriptive sample data. The total sample reflects a relatively senior group of professionals as evidenced by education, age, firm position and working experience, which is working predominantly in small and medium sized professional service firms. The average sample age of 51.0 years resembles the average population age of NRVV registered valuers of 50.6 years.

Table 6 Descriptive statistics

Descriptive statistics		Total		
Education	Pre-BSc 59 (20.3%)	BSc 139 (47.9%)	Post-BSc 92 (31.7%)	290
RICS/REV qualific.	No 236 (81.4%)	Yes 54 (18.6%)		290
Age	51.0 yrs (11.3)			247
Valuation exper.	18.3 yrs (10.0)			290
Brokerage exper.	16.0 yrs (11.6)			290
Job level	Employee 67 (23.1%)	Manager 25 (8.6%)	(Co-)owner 198 (68.3%)	290
Valuation team	<4p. 247 (85.2%)	4-10p. 31 (10.7%)	>10p. 12 (4.1%)	290
Company size	<6p. 186 (64.1%)	6-20p. 52 (17.9%)	>20p. 52 (17.9%)	290

Notes: 'BSc' represents Bachelor of Science education. Average and standard deviation provided for age and experience variables. 43 age cells were left blank. Percentage differences due to rounding.

Individual respondent's case results on information verification are shown below. With professional standards emphasising sound investigation during valuation practice (RICS, 2017a; TEGoVA, 2016), the high scores on 'substantial' verification are not surprising.

Table 7 Individual case responses

Individual case responses	Case 1	Case 2	Case 3
Limited Information verification	15.2%	8.3%	5.5%
Refusal of information verification	14.5%	33.1%	14.1%
Substantial verification information	70.3%	58.6%	80.3%
	100.0%	100.0%	100.0%

Note: percentage differences due to rounding

Given our hypotheses, we concentrate our analysis on substantial verification scores and relate relatively low scores on this preferred mode of professional performance to client attachment features. We therefore ranked the number of substantial information verification (SIV) scores across three cases, as is shown below. The mode of 2 is selected by 122 respondents (42%), while 64 valuation professionals (22%) score low on SIV. Individual scores on substantial information verification across three cases (SIV_{total}) will be our dependent variable for hypothesis testing, ranking from 0 to 3 for the number of SIV choices in three cases.

Table 8 Number of SIV scores

No. of SIV scores in 3 cases	Frequency	SIV _{total} score	Label
0 out of 3	13	0	"No SIV"
1 out of 3	51	1	"Low SIV"
2 out of 3	122	2	"Medium SIV"
3 out of 3	104	3	"High SIV"
Total	290		

Hypotheses testing

Below we provide testing results for information verification in relation to our research hypotheses on job level and professional experience. Our first research hypothesis (RH1) states that SIV_{total} is lower for valuers acting at (co-)owner level within their organisation than for other job levels (i.e. acting at manager or employee level). Therefore we assume a null hypothesis of equal distribution of SIV scores across categories of job level. Alternatively, co-owner valuers score lower on SIV than other types of valuers.

H1₀: SIV_{total} scores of (co-)owners do not differ from SIV_{total} scores of lower-ranked job levels

H1_a: SIV_{total} scores of (co-)owners are lower than SIV_{total} scores of lower-ranked job levels

Results are provided below. Managers score higher on SIV than employees on average, reflecting their experience and responsibility for quality management within the organisation. However, we find that valuers acting at (co-)owner level score an SIV of 2.0 which is lower than both other groups of valuers. Interestingly, average valuation experience of (co-) owners and valuers acting at management level corresponds quite well (19.9 years versus 18.8 years).

Table 9 Job level scores

Job level scores	N	Valuation experience (yrs.)	SIV _{total} group average	SIV _{total} group mean rank
Employee	67	13.5	2.13	147.84
Manager	25	18.8	2.40	176.06
(Co-)owner	198	19.9	2.04	140.85
	290			

In order to examine statistical significance of these differences, we used a Kruskal-Wallis test to obtain SIV_{total} mean ranks of job level groups and applied post-hoc tests on pair-wise mean rank differences. Using conventional probability errors of 1% and 5%, we find a significant difference ($p = 0.038$) on SIV_{total} scores between (co-)owners and managers. Conversely, valuation

experience does not significantly differ between managing valuers and (co-)owning valuers ($p = 0.402$). We reject the null hypothesis of equal distribution of SIV_{total} scores across job levels, as valuers acting at a (co-) owner job level score lower on information verification in comparison to other valuers and significantly lower vis-à-vis manager-valuers.

Table 10 P-values for pairwise differences

P-values (2-tailed) for pair-wise mean rank differences			
	Employee	Manager	(Co-)owner
Employee	-		
Manager	0.100	-	
(Co-)owner	0.517	0.038*	-

* Significant at 0.05 confidence level, ** significant at 0.01 confidence level

Research hypothesis 2 states that brokerage experience correlates negatively with SIV_{total} scores. Our null hypothesis assumes no relationship between variables, while the alternative hypothesis follows the hypothesised theoretical direction of negative correlation:

$$H_{2_0}: \rho_{brok} = 0$$

$$H_{2_a}: \rho_{brok} < 0$$

where ρ_{brok} represents correlation for brokerage experience with SIV_{total} score

Results are shown below. Correlation tests on SIV_{total} scores have been applied using both Spearman's Rho and Kendall tau coefficients. We find that brokerage experience shows (small) negative yet significant correlation coefficients ($p < 0.01$), indicating that information verification reduces (slightly) with increasing brokerage experience. We therefore reject H_{2_0} and accept the alternative hypothesis that brokerage experience correlates negatively with information verification.¹⁸

Table 11 Correlation coefficients brokerage experience

Correlation coefficients		Brokerage experience
SIV_{total}	Spearman's rho	-0.154
	p-value	0.009**
SIV_{total}	Kendall's tau	-0.122
	p-value	0.009**

* Significant at 0.05 confidence level, ** significant at 0.01 confidence level

18 Rejection of both H_{1_0} and H_{2_0} should be regarded in view of weak positive correlation between job level and brokerage experience ($r = 0.253$).

Interestingly, we performed similar correlation tests on valuation experience and we found comparable negative correlation effects as is illustrated below ($p < 0.05$). Apparently, when it comes to information verification, the more experienced the valuer becomes, regardless of the type of experience, the less methodologically he or she operates. Although performance usually increases with effort (Che et al., 2018), more experienced valuers tend to trust their gut feeling over methodological scrutiny (Levy and Schuck (1999). Bonner (2008) adds that experience creates personal involvement in a task, which can have negative effects on judgement quality (i.e. overconfidence bias).

Table 12 Correlation coefficients valuation experience

Correlation coefficients		Valuation experience
SIV_{total}	Spearman's rho	-0.122
	p-value	0.038*
SIV_{total}	Kendall's tau-b	-0.098
	p-value	0.036*

* Significant at 0.05 confidence level, ** significant at 0.01 confidence level

In order to examine case data consistency, we compared respondents' scores on SIV_{total} with self-perceptive control variables. Control variables (CV) 1 to 6 refer to the following six characteristics on professional scepticism in information verification. Respondents have been asked to select one option (ranging from 1 – 'never' to 5 – 'always').

Table 13 Control variable statements

Control variables on information verification	
1	I investigate the correctness of received valuation information ('questioning mind')
2	I want to know how comparable transactions have been realised ('search for knowledge')
3	I assume that real estate owners are not reliable in their information provision ('interpersonal understanding')
4	I try to hold off concerned clients during the course of a valuation assignment ('autonomy')
5	I withhold my value judgement until there is appropriate level of evidence ('suspension of judgement')
6	I engage in a dialogue with a client to clarify my valuation estimate ('self-confidence')

Note: professional characteristic in brackets

Average sample scores range from 2.52 on CV 5 ('suspension of judgement') to 4.52 on CV 1 ('questioning mind'). One could argue that these outcomes reflect somewhat conflicting scores on professional features of information verification, as apparently respondents highly recognise

a questioning mind attitude, yet at the same time have early indications of valuation outcomes. Interestingly, all types of valuer score relatively low on interpersonal understanding (CV 3), indicating signs of client trusting bias.

Table 14 Control variable results

Control variables results by job level							
		CV 1	CV 2	CV 3	CV 4	CV 5	CV 6
<i>Job level</i>	<i>N</i>	<i>Mean Likert scores</i>					
Employee	67	4.46 (0.73)	3.93 (0.66)	2.79 (0.71)	3.60 (0.91)	2.63 (0.76)	3.67 (0.82)
Manager	25	4.48 (0.87)	3.96 (0.89)	2.56 (0.87)	3.28 (1.10)	2.20 (0.65)	3.72 (0.79)
(Co-)owner	198	4.54 (0.62)	3.81 (0.71)	2.86 (0.73)	3.79 (0.93)	2.53 (0.67)	3.55 (0.86)
Sample average	290	4.52	3.85	2.82	3.70	2.52	3.59

Note: standard deviations in brackets

Given equivalent professional valuation experience levels between managers and (co-)owners, we focus on pair-wise differences between those groups. Significant differences in mean ranks are shown below. We find that differences in three characteristics of professional information verification are significant, albeit in opposite directions when compared to case results (i.e. on all three features valuers at partner level score relatively *higher* than valuers at management level).

Table 15 P-values for pair-wise differences

P-values (2-tailed) for mean rank differences						
	CV 1	CV 2	CV 3	CV 4	CV 5	CV 6
Mean rank manager	112.18	122.92	87.20	88.60	90.00	122.46
Mean rank (co-)owner	111.98	110.62	115.13	114.95	114.78	110.68
p-value	0.986	0.327	0.025*	0.042*	0.044*	0.360

** Significant at 0.05 confidence level, ** significant at 0.01 confidence level*

Apparently, (co-)owning valuers do possess the relevant professional traits on information verification, but may not always act in accordance as is evidenced by their relatively low scores in the presented business cases. This outcome implies that the responsibilities that come with the partner position (i.e. balancing commercial, organisational and personal interests) may subdue professional scepticism in information verification effort, due to lack of time or otherwise. Engaging circumstances may prevent such senior valuers to convert sceptical thought into sceptical verification action

(Shaub and Lawrence, 2002). Arguably, reinforcement of sceptical action would require enhancing professional development programs in our view, to stimulate bias awareness and improve judgement and decision-making skills when operating within a commercial task environment.

6.5 Conclusion

This paper involves a study on effects of client attachment upon a valuer's judgement behaviour, focussing in particular on the relationship between valuers' experience and job position and their approach to information verification. From our literature review, we expect that a commercial attitude of valuers, as proxied by brokerage experience and partner job level, may negatively affect information verification. Both brokerage experience and firm ownership may stimulate inclination to and identification with clients' interests. To test these assumptions, we performed a case-based questionnaire in the Netherlands. Our research generates the following conclusions. Brokerage experience tends to correlate negatively with information verification, implying that valuers with high levels of brokerage experience score relatively low on information verification. Also, valuers acting at (co-) owner level within their organisations score lower on information verification in comparison to valuers operating on a lower organisational level with similar levels of valuation experience. Effects of both brokering experience and job level differences appeared significant. We cross-checked case results with self-perceptive Likert scores on professional characteristics of information verification and found that, contrary to case results, (co-)owner valuers score significantly higher on certain relevant traits than valuers operating at management level. This indicates that sceptical thinking with regard to information verification is seemingly well developed at executive levels, yet may be oppressed by environmental influences in relation to commercial interests.

In terms of research implications, we note that our questionnaire reflects reasoning behaviour, not actual performance. While case validity is carefully examined, the results would benefit from experimental research on the subject reflecting real-life valuation settings. Moreover, future research may consider the impact of professional experience in general, i.e. does one's verification effort reduce as experience increases and why?

In light of practical implications, we note that a substantial part of (Dutch) valuers hold ownership positions in SME companies that combine valuation and brokerage services. Close working relationships in professional services industries may trigger client attachment, which seems counterproductive to sound investigation in commercial valuation practice. With client attachment arguably emerging predominantly at sub-conscious levels, the effect of advanced regulation in order to enforce impartial judgement is debatable. Like in auditing, valuation professionals may need to enhance professional scepticism and improve judgement and decision making skills in order to subdue judgement bias and find a proper balance between professional due care and client management in a commercial task environment.

Appendix 1: Example of questionnaire case

You have gained a valuation instruction that requires the open market value assessment of a newly built office building. The building is one of the first to be erected in an urban business development area. De client is the office developer who requests the submission of a draft valuation report before finalisation. During the draft reporting meeting your client seems to regard your views on rental growth perspective in the area as being conservative. He sets out his own professional views on the area's attraction to new users and provides you a recent market report from his own letting agent. The developer is an active market participant in the local area and has been a client of your organisation for years. What will you do?

- A. You free up time to contact one or two other local letting agents with regard to anticipated rental growth potential in the development area.
- B. You adjust your draft report based on the market report delivered by your client and make reference to this adjustment in the final report.
- C. You stick to your previous rental growth projections and finalise the valuation report without adjustments.

Appendix 2: Non-response bias


Table 16 Non-response bias

Non-response bias	p-value
<i>Ordinal scale variables (Mann Whitney U test)</i>	
Education	0.613
Job level	0.377
Valuation team	0.422
Company size	0.865
<i>Ratio scale variables (Student's T-Test)</i>	
Age ^e	0.845
Valuation experience ^e	0.147
Brokerage experience ^u	0.581
<i>Nominal scale variables (Chi square test)</i>	
Professional qualification	0.137

Note: ^e assuming equality of variance, ^u assuming inequality of variance

* Significant at 0.05 confidence level, ** significant difference at 0.01 confidence level

7



The ideal type of valuer: Expert, Service Provider or Reporter? An investigation into prevailing role types in commercial valuation

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Abstract

Purpose – The purpose of this paper is to disclose shared beliefs and understandings about the concept of professionalism amongst Dutch commercial real estate valuers. It examines prevailing logics of action in a mature European valuation industry and reflects on the potential influence of these logics on the occurrence of judgement bias in valuation.

Design/methodology/approach – The underlying study adopted a grounded theory approach to facilitate reflexive in-depth interview sessions with 20 experienced valuation professionals in the Netherlands. Emerging data on core categories of professionalism were initially identified and grouped; and subsequently conceptualised into ideal role types of valuers using institutional logics theory.

Findings – Three different ideal types appear to guide Dutch valuation practice: the Expert, the Service Provider and the Reporter. The Expert emphasises professional standards and technical quality, while the Service Provider advocates commercial quality and the Reporter aims to uphold procedural quality. The authors find that the attention for technical quality associated with the Expert role may be at risk of underexposure, fostering concerns about judgement quality and associated bias risks.

Research limitations/implications – The potential impact of both commercial and bureaucratic logics on valuation quality may raise authoritative and educational concerns over judgement bias effects. However, while trends in professionalism may transcend national boundaries, the specifics of local real estate market structures and regulations require replication of results in other markets.

Originality/value – Institutional logics provide an alternative, socio-economic perspective on present-day valuer behaviour that progresses the understanding of the valuer-client relationship, thereby advancing the knowledge base on valuer judgement and client influence. Furthermore, the authors' role typology offers future research opportunities in terms of measurement and explanation of differences.

7.1 Introduction

The global financial crisis of 2008 has shown that real estate valuation serves a public interest. Its output enables public stakeholders such as banks and institutional investors to manage financial interests in a globally interconnected system. In order for financial markets to operate efficiently, trust in valuation accuracy, i.e. objective and independent assessment of property values, is a requirement. As such, valuation can be characterised as a profession, or a monopolised community that trains and monitors its members to use their autonomy to uphold professional values of objectivity and integrity in work (Lawson, 2004). Yet in day-to-day practice, real estate valuers often experience different kinds of interests when working for commercial clients. With a primary focus on finance or investment activities, such parties often invite a shortlist of valuers to submit instruction proposals in close competition to one another. Hence, client satisfaction is important for business continuity. In essence, this situation of dual interests - public and private - may create tension to valuers with regard to professional behaviour when operating in brief timeframes. The ability to autonomously perform work without undue influence potentially contradicts with retaining clients who have strong opinions on 'appropriate' output (Spence and Carter, 2014).

The divergence between direct client interests and professional autonomy links valuation accuracy to valuer judgement behaviour. Valuation accuracy has been debated since Hager and Lord's often cited 1985 paper on the spread of values between valuers (Hager and Lord, 1985; McAllister, 1995; Skitmore et al., 2007). In line with other professional service industries, such as accounting, the pertinence of client influence is perceived to be an important factor in explaining variability in judgement quality (e.g. Baum et al., 2000; Crosby et al., 2015). However, current research has only partially addressed the interplay between valuers and clients, i.e. why client power may yield effect upon valuers. For instance, Levy and Schuck (1999) and Amidu and Aluko (2007a) studied different types of client influence and potential factors that affect such influence, such as client size. Wolverton and Gallimore (1999) and Wolverton (2000) empirically tested the effect of different modes of client feedback on valuer judgement behaviour. Wolverton (2000) extended the knowledge base by relating feedback modes and client influence elements to self-perceptions of valuation roles (i.e. price validator versus value assessor). Stating that "only the strong may pertain their objectivity" (p.282), Wolverton (2000) suggests that valuation practice is featured by a constant battle for power over autonomy between clients and valuers. Finally, Klammer et al. (2019) demonstrated effects of client attachment on valuer judgement behaviour. Nevertheless, little attention has been paid so far to why client influence may affect valuer judgement.

This study investigated the extent to which valuation practitioners position themselves vis-à-vis clients and public interests. For this purpose, an institutional logics perspective is adopted, in

order to analyse common logics of action of actors in organisational settings from an institutional viewpoint (Thornton and Ocasio, 2008). Given its particular merit for analysis of professional role patterns, the institutional logics theory is known to be used in various professional service settings as will be elaborated. A qualitative research design was set up based on a grounded theory approach to explore valuer's views on professionalism. The study is performed in the Netherlands, a relative mature real estate market that is ranked among the most transparent institutional real estate markets globally (JLL, 2019). In the next section, a review of the literature on institutional logics theory is provided.

7.2 Institutional logics

The suggested effect of client pressure on neutrality and objectivity in value assessment was an important reason for the inception of behavioural research in valuation since 1990 onwards (Diaz, 1999; Diaz and Hansz, 2007). Much of the behavioural studies on valuer judgement bias that have subsequently been performed seems to be grounded in two early behavioural theories. One is Brunswik's 1956 lens model of perceptual theory, which is used to explain individual decision making through information cues available, including 'noise' such as pending sales price information (e.g. Amidu et al., 2008; Wolverton and Gallimore, 1999). The other theory stems from the information-processing model of human problem solving (Newell and Simon, 1972) and use of heuristics as developed by Tversky and Kahneman (1974). Relevant studies in this area are e.g. Diaz (1990a), Wolverton (2000) and Hansz (2004a). As such, behavioural research in valuation tends to take a cognitive-psychological perspective on judgement behaviour, that is, the study of judgement effort in terms of information processing in relation to environmental cues.

While this perspective shed much light on valuer judgement behaviour, other perspectives may be used to further develop judgement understanding. In positioning behavioural research as a paradigm, Diaz and Hansz (2007) refer to Diaz's 'real estate activities model' (Figure 3) as its conceptual framework, which in essence explains real estate as a network of interconnected set of economic activities between various parties e.g. lenders, developers, investors and valuers (Diaz, 1993). The element of interconnectivity in this model suggests that real estate actors are in some way (e.g. socially/economically) related to one another while conducting activities of lending, investing, or valuing etc. Therefore, besides cognitive psychology, our understanding of valuer judgement behaviour could benefit from adopting a social-economic orientated perspective that describes and analyses interrelationships and interaction patterns of valuers and other actors. The difficulties of valuation practice, serving public interests in a private setting, has been recognised before (Hill and Lorenz, 2011), as is the need for explication of role definition in such context in the built environment (Hughes and Hughes, 2013). So far however, limited research attention has been provided to professional challenges in terms of education (Wilkinson et al., 2017) or socialisation of junior valuation practitioners (e.g. Page, 2005). However, a specific

theoretical perspective to such research seems absent in valuation. We therefore turn to the wider professional service firm (PSF) literature, where professions such as accounting precedes valuation in terms of behavioural research history (Trotman et al., 2011)¹⁹. In PSF literature, as well as elsewhere, institutional logics theory has gained research interest in order to study how organisational and individual PSF behaviour is affected by increasing commercialisation and internationalisation of their services in recent decades (Dezalay, 1995; Crompton, 1990). As market competition fuelled client power, client-related values as flexibility and marketability of services increasingly competed with traditional notions of autonomous, profession-orientated values that promoted independence and objectivity (Crompton, 1990).

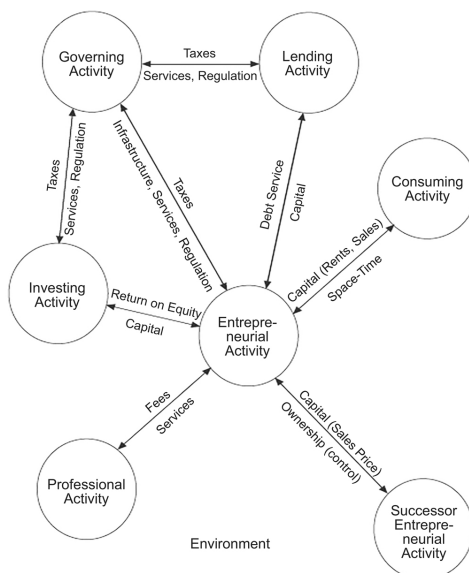


Figure 3 Real estate activities model (Diaz, 1993)

The concept of institutional logics stems from institutional theory. Originally it was aimed at the study of how classic institutions such as state and religion helped to integrate organisations to function in society (e.g. Zucker, 1977). Today (neo)institutional theory focuses on the effects of institutional logics on professionals and organisations in a larger variety of contexts, such as markets, industries and communities (Thornton and Ocasio, 2008). Institutional logics (IL) can be defined and examined at different levels of society. Weber used institutional orders to describe subsystems in society in his famous 1922 work *Economy and Society* (Collins, 1980). At organisational level, IL refer to the organised and cohered principles of institutional orders

19 Behavioural research in auditing was initiated in the 1960s. The theoretical perspectives of Brunswik's lens model and the use of heuristics in information processing have been studied in auditing since the 1970s and 1980s onwards (Trotman et al., 2011).

of society that guide organisational behaviour. As such, IL complement other perspectives on organisational behaviour and change, such as strategic, managerial and human resource perspectives (Ocasio et al., 2017). We are primarily concerned with the micro-level perspective of IL. At micro level, institutional logics are defined as socially constructed patterns of values, beliefs and rules by which individuals provide meaning to their social reality. Hence, a logic may be interpreted in terms of role orientation when it is concerned at individual level. In the context of organisational settings, logics provide individuals with the formal and informal rules of action, interaction and interpretation that constitute appropriate individual behaviour in order to obtain social status, credits and prevent penalties (Ocasio, 1997).

Today, IL literature places great emphasis on the competing nature of logics, as has been illustrated in a wide range of fields. Examples include the gradual incorporation of market logics in higher business education (Thornton, 2002), medical professions dealing with care and science logics (Dunn and Jones, 2010) and logics-driven changes in law practice (Smets et al., 2012). Two common types of logics often referred to are the traditional professional logic and an emergent commercially-orientated logic. The traditional “technical”-professional logic of action includes a set of attributes that represent the ideal professional as depicted in professional standards and ethical codes to serve practice. Historically, the main objective of professions has been to serve the public or public interests, for which it is deemed important to act autonomously in decision-making (i.e. make decisions without external pressures). Often, entry into the profession is regulated by means of required expertise (Lawson, 2004). In essence, the commercial-professional view contradicts on many points. Commercially orientated professionals strive to make their service profitable. They are therefore primarily concerned with their ability to satisfy client needs, as it is the client who decides on renewal of the professional service. In industries featured by market competition, the commercial logic may justify the pursuit of (private) clients’ interests. As such, professionalism is interpreted as a strive to be considered as the preferred business partner in view of competition (Gendron, 2002).

In PSFs literature, this tension between commercial and traditional professional logics is apparent. Historic dominant norms on professionalism have been challenged by an emerging rational, economic logic of action in which principles of managerial bureaucracy, corporate attitude and economic efficiency prevail (Bévort and Suddaby, 2016). Yet commercial-orientated views on professionalism may compromise one’s independence and instigate judgement bias in service provision (Frankel et al., 2002; Holm and Zaman, 2012). Evidence on prevailing field logics in PSF settings presents mixed results. In Big 4 accounting firms, technical knowledge seems subordinated to a commercial-orientated notice of professionalism, regardless of job level (Anderson-Gough, 2000; Spence and Carter, 2014). However, such commercial dominance seems less applicable to mid-tier accounting firms (Lander et al., 2013). Lawyers seem to continue to

enjoy high degrees of autonomy retaining substantial amounts of control over their work and service delivery, despite financial and market pressure (Faulconbridge and Muzio, 2008).

The manifestation of various logics in professional sectors may trigger the emergence of a 'hybridised' professional who, one way or another, needs to integrate key elements of all prevailing logics into daily practice (Noordegraaf, 2015; Spence and Carter, 2014). Underlying here is the view that, whenever a new logic gradually evolves and manifests to govern preferred behaviour, professionals would need to adapt behavioural patterns and internalise multiple logics in order to render successful services according to all stakeholders. A complicating factor here is the fact that over time, professionals tend to develop interpretative schemes that are consistent with the hitherto dominant logic in their work environment. As logics tend to develop over time, the rise of a new, dominant logic may create work tension in terms of role ambiguity or job conflicts (Gendron, 2002). Such conflicts may emerge in terms of personal conflicts (i.e. dilemma) or as a conflict between professional and stakeholder (i.e. avoidance, feigning, or disguising unsolicited behaviour). This links institutional theory at micro-level to psychological perspectives on role theory and role identity, and subsequent professional behaviour in organisations (Maas and Matějka, 2009; Tubre and Collins, 2000).

In summary, it is argued that the interplay between forces of client power and professional associations in valuation may entail conflicting logics of action upon individual practitioners. We believe that an institutional logics perspective provides a plausible and relevant contribution to the knowledge base on valuer judgement behaviour in light of valuation accuracy. This paper therefore investigates governing logics in valuation using a grounded theory approach by means of a Dutch case study.

7.3 Methodology

Method

An established analytical representation of IL-driven preferred behaviour is through ideal types (Thornton et al., 2012). The ideal-type method stems from Weber, who suggested that "such abstraction from complexity" is useful to guide comparative analysis (Ocasio et al., 2017, p.520). Ideal types represent a construction, or model, of apparent societal logics in a particular area of study. An example of such typologies includes Freidson's typology of a market logic, bureaucracy logic and professional logic in his search for ideal types of professionalism (Freidson, 2001). Due to the fact that ideal types may be reliant on historic evolvement of work setting or specific institutional involvement, typologies that govern one PSF setting may not be transferable to another. Hence, for the purpose of identification of ideal logics in Dutch valuation practice a grounded theory approach is used.

Grounded theory (GT) is a largely inductive and interpretative methodology for building theory where existing theories are either lacking or insufficient (Charmaz, 2008). It is deemed appropriate for inquiry when a theory is needed to explain how people are conceptualising or experiencing a particular phenomenon. GT deploys reiterative techniques, frequently by means of qualitative methods, in order for concepts, relations and behavioural patterns to emerge from data. This is done using a number of procedures, such as theoretical sampling, constant comparison and the use of coding structures. Sampling in GT involves the drawing of concepts, their properties and interrelations, based on which participants can be selected for the study (Corbin and Strauss, 1990). In order to draw such concepts, data collection and analysis are constantly compared to identify theoretical 'gaps' and gradually develop conceptual insights in relation to the phenomenon (Charmaz, 2008). The use of analytical coding schemes is imposed to guide the interpretation process by which data are broken down into distinct units of meaning and analysed through relabelling in order to generate concepts (Charmaz, 2008). The process of initial, axial and selective coding (Corbin and Strauss, 1990), which is repeatedly undertaken as data collection and analysis progressed, is further explained hereafter.

For this study, semi-structured interviews were performed to gain insight in shared beliefs and understandings of professionalism in the Dutch valuation community. Hence, interviews were aimed to uncover practitioner's views on and interpretations of professional behaviour. Elaboration on such views and understandings through interviews allows to discuss context, motivation and consequences (Boeije, 2008). In this respect, extant literature was studied beforehand in order to provide a starting list of relevant interview themes on job motivation, work pressure, valuation activities and client interaction that relate to logics of action in PSF settings and generate interview content validity (e.g. Gendron, 2002; Qiu et al., 2011). Interviews started with a broad range of topics, which was modified and narrowed down to a limited set of key questions as data collection progressed. Interviews were held with practitioners in various Dutch valuation settings in order to reach data saturation (Scheepers et al., 2016). An interview topic list is included in Appendix 1. As such, the initial coding stage reflects participant's views on professionalism which are conceptually labelled, compared and grouped into categories.

Axial and selective coding stages reflect the grouping of categories of concepts and their properties as the basis for ideal type constructs. For this purpose, Thornton et al.'s (2012, pp.52-54) overview of relevant logic components is used. These components, or building blocks, as outlined in Table 17, represent how individuals, if influenced by any institutional order, are likely to understand their professional role and their logics of action, i.e. their authority, how they act and their motives (Thornton and Ocasio, 2008). As such, these building blocks help us to identify and develop the discerning core categories that represent how Dutch valuers view their role in an idealised setting.

Table 17 Institutional logics components

Building block	
Authority	Who has control or is in charge? What does this control entail?
Power	What type of power is used in controlling?
Legitimacy of authority	Why is one in charge? How is power executed?
Mission	What is one's purpose as a professional? What is one's motivation?
Strategy	How does one achieve this mission? What is the focus of attention? How is service improved?

The resulting ideal types reflect abstracted constructs, which may not be directly accessible by practitioners but would be recognisable in a broader conceptual description (Jones and Alony, 2011). To test for the rigour of emerging ideal types, its recognition was verified by means of various individual follow-up conversations with both participants and valuation practitioners that were not involved (five of each) in which ideal types were presented and discussed. Overall, these discussions led to precision in the phrasing of some descriptive elements of the constructs. As such, we were able to advance ecological validity of our ideal valuer typology.

Data

In the Netherlands, real estate valuers need to be registered with the central valuation register NRVT. NRVT was incorporated in 2015 following criticism by the Dutch Central Bank and Dutch Authority on Financial Markets (AFM) over valuation and reporting quality in the aftermath of the 2008 crisis. At the time of research, this register includes approximately 7,000 entitled valuers that operate in various kinds of business areas. About 2,000 of those involve registered commercial real estate valuers, which is our target population (NRVT, 2019a). Since 2015, all practicing valuers have to be certified by NRVT, who monitors valuation quality through professional codes, guidelines and disciplinary law (NRVT, 2019b). International valuation standards of IVS (IVSC) and EVS (TEGoVA) are incorporated in national standards that serve Dutch valuation practice (Berkhout and Roggeveen, 2018). Valuation instructions for financing purposes are often initiated by retail banks, who invite a limited number of valuers to submit a proposal.

Klamer et al. (2019) shed some light on the features of the population of Dutch commercial valuers through survey research. Dutch commercial valuers seem to represent a relatively experienced group of professionals aged just over 50 on average and with approximately 18 years of valuation work experience. It is estimated that about 20% of the target population holds a RICS or REV qualification. Furthermore, Dutch valuation practitioners seem to be working in a variety of work settings, however small-type organisations (e.g. up to five employees) seem to dominate. In order to avoid sampling bias, participants were drawn from a set of positive reactions that followed upon an NRVT industrywide newsletter call for interview participation

sent out to all 2,000 NRV commercial practice members. In order to obtain a balanced group of participants that may reflect the population composition, participants were selected based on profile features (such as valuation experience subject to a minimum of 10 years; and variation in terms of practice size and business area work – see Table 18 for profile details). In total 20 interviews were held between June-September 2019 throughout the Netherlands.

Table 18 Participant profiles

Partic.	Valuation experience (in years)	Valuation activity (% per week)	Organisation size	Valuation practice	Type of clients
1	30	90%	0-5	All-round	Banks, municipality
2	20	40%	6-20	All-round	Owners, banks
3	15	35%	0-5	All-round	Banks
4	16*	75%	>20	All-round	Investors
5	23	20%	>20	All-round	Owners, banks, PSF**
6	14*	80%	>20	All-round	Investors, banks
7	28	100%	>20	All-round	Banks, investors
8	30	40%	6-20	All-round	Banks, investors, PSF
9	15	30%	0-5	All-round	Banks, owners
10	25*	80%	0-5	All-round & niche	Banks, owners
11	15	40%	0-5	All-round	Banks, peers, owners
12	20*	95%	6-20	All-round	Banks
13	20	100%	0-5	All-round	Banks
14	20*	35%	6-20	All-round	Banks, PSF
15	25	25%	0-5	All-round	Banks, owners
16	15	85%	6-20	Niche specialist	Banks, peers
17	12*	100%	6-20	Niche specialist	Municipality, PSF
18	24	90%	0-5	Niche specialist	Investors, banks
19	32	25%	0-5	All-round	Banks, investors
20	26	100%	0-5	All-round & niche	Banks
Avg	21	64%			

** RICS qualification. **PSF clients involve professional service firm clients as law firms, accountant firms et cetera.*

In order to limit self-selection bias from a group of devoted frontrunners and stimulate participation enthusiasm throughout the target population, the study offered potential participants some (non-mandatory) educational points by NRVT in acknowledgement of the in-depth nature of interviews, which was aimed at stimulation of reflection and learning on the part of the participant as well. A test interview was conducted beforehand to ensure appropriate questioning. In addition, in order to stimulate a reflective response mode as well, participants were sent beforehand a list of personal questions addressing job enrolment, job motivation, future work perspective et cetera. Finally, in order to facilitate a conversational setting, interviews were held one-on-one in a semi-structured manner with a researcher familiar with the professional jargon. Interviews were held at the participant's choice of location and lasted a maximum of two hours to allow for sufficient discussion of interview topics. Interviews were fully recorded and transcribed.

7.4 Results

In presenting ideal type constructs, initial coding outcomes (first-order results) are set apart from axial and selective coding stages (second-order results). Participant citations are within quotation marks with reference to Table 18. This section is completed with a discussion on theoretical implications and robustness of our study.

First-order results

Following a brief explanation of one's valuation practice and clientele, our starting question on the subject was the following: 'What does practicing professional valuation mean in your view?' When discussing views on professionalism, one of the first things that participants point out is the need to produce accurate values ("The most important thing in valuing is knowing how to pin down the market value. That is your primary task, that is what you're there for." [P20]). This is an important motivational driver according to participants: "The sense that I'm yielding something good. Something I can be proud of professionally." [P10] Elaborating on motivation, participants refer to a moral purpose of trustworthiness: "One has to preserve people from financial risk. People have to be able to rely on the value being what it is. I think it is only fair that if I write down that value, it is done based on solid foundation." [P09].

To serve this purpose, participants point out the need to maintain an objective stance towards their clients. This implies that "you should not take into account the interests of a bank, nor those of the client. So no high or low valuations; do not choose the line of least resistance." [P16]. Objectivity is sought after by focusing on professional expertise: "I derive authority from knowledge of the field I'm working in. I think that this is very important, and that the old-fashioned proverb 'knowledge is power' still applies." [P02]. In order to arrive at accurate valuation opinions, valuers put great effort in research and judgement quality "because it is all

about working meticulously. Do not draw any conclusions before you have proper foundations.” [P14]. In line with this, valuers put great effort in convincing others of the accuracy in their judgements: “Being transparent in your findings, in how you get to a valuation. That has to be clear for everyone.” [P17]. Participants seem therefore more concerned with process and data quality than its outcome: “You are a good valuer if you can write a valuation report on your own which others, once they read it, can fully understand your judgement and substantiation of the property’s value.” [P04].

Substantiation requires amongst other things thorough research into relevant transaction references and a clear understanding of both object and market potential: “You start digging and looking among the references. As a valuer, you have to figure out to the best of your abilities how a transaction came to be and connect references to the object of valuation.” [P06]. The relevance of profound research and consideration also serves a valuer’s own judgement skills, according to participants. Once completed, value assessments serve as reference for comparable future assignments and will trigger reflection (“Eventually there will be another instruction for a similar property. Then you ask yourself: ‘Did I do the right thing back then?’ And then you have to be able to justify to yourself that what you did was the right thing.” [P14] and “You have done your work well when you have looked into every detail. When there is nothing left for a client to ask when I send the draft report.” [P11]). As such, professionalism is not only explained in terms of the need to undertake all relevant steps in valuation process independently from clients, but also to reflect on the quality of one’s opinion in order to convince oneself and others of its accuracy.

A second important aspect of professionalism that participants substantially discussed is optimal service delivery. Dutch valuation practice is featured by fierce market competition, instigated by both bank clients and institutional investors, who may work with lists of preferred valuation suppliers. This emphasises the need to be seen as a favourite business partner in order to win instructions and retain clients (“Being on a preferred supplier list with banks is my right of existence. I think that if you are not on such a list, it is going to be very difficult as a valuer.” [P04]). A field that is dominated by competition can facilitate clients to pressure valuation tariffs and valuation lead-times: “Saying ‘no’ is not really an option. If a client calls, we have to deliver.” [P16]. As such, many participants are concerned with pricing (“You have to stay competitive pricewise. Otherwise you will lose your client, they are not that loyal.” [P18]) and service differentiation (“So I have to put in extra work sending information, calling people up and explaining. I think people appreciate that effort.” [P10]). This is why many participants perceive themselves in essence as service provider, putting effort in the quality of the provision of the service (“I try to manage a good client relationship by creating satisfaction about the way you treat them. It really is a people’s business.” [P18]).

Participants feel committed to secure a timely delivery of their product to avoid gossip from clients: “Word-of-mouth is vital in our business. It is of the utmost importance.” [P19]. In order to optimise provision, many participants indicate they strive to optimise lead times as much as possible: “Efficiency is very important. When your competitors are more efficient than you are, they can offer the same service at lower rates. That is a selection criterion for our clients.” [P06] Moreover, the perception of valuation as a people’s business has instigated a very attentive and responsive attitude towards clients (“If a client calls, I respond immediately. If they say it is a rush job, I comply.” [P01]). Besides selection criteria however, service provision is also reflected in terms of personal values such as reliability and respect: “You have to honour your commitments and meet your deadlines. You have to keep to an agreement.” [P17].

The qualification of valuation as a people’s business is reflected in the perceived interest that valuation serves according to participants: “I think valuing is primarily a matter of private interests. Because private parties such as entrepreneurs and banks are involved, all of whom seek to earn money.” [P05]. As such, this view on professionalism is perceived as the need to adequately service clients in a trustworthy and proactive manner in order to develop and maintain long-term business partnerships in a competitive market setting.

Besides client service and assessment accuracy, a third aspect of professionalism materialised during interviews. Participants elaborated on the need to deliver adequate reporting quality. More specifically, this concerns the extent to which valuation reports would meet regulatory requirements as prescribed in procedures and guidelines. This seems a relatively new issue for valuers that emerged since the financial crisis and which requires due care nowadays: “Reporting has become increasingly important. You have to explain everything in writing today to protect yourself. It no longer goes without saying that you are doing the right thing.” [P02]. In fact, reporting quality has rapidly become a dominant theme in valuation practice: “Compliance is the new playing field that all financiers and clients and we ourselves have to deal with. The degree to which you have familiarised yourself with this, is a part of your professionalism.” [P07].

On the one hand, participants point out that prescriptive guidelines help to specify key aspects of valuation practice that need attention. Yet participants referred repeatedly to interpretative concerns over guidelines, such as ruling ambiguity (“What should and shouldn’t we incorporate in the report? I can make a choice on how to substantiate that in the report, but I don’t want to get into trouble with someone about not applying the rules properly. It all may take a lot of time.” [P13]). As a result, participants speak of increasing fear of professional misconduct in the eyes of authorities: “Some sort of claims culture has developed over the last few years. If clients perceive something to have gone wrong, a complaint is easily filed with authorities. You have to cover all bases continuously” [P20]. While client feedback is welcomed as a means to improve

service provision and peer review adds to accuracy of value opinions, feedback from authorities is preferably prevented in view of potential reprimands according to participants.

The effect of compliance on professional practice varies according to participants. In 2015, a new stakeholder NRVT was launched in the industry in order to improve self-regulation (NRVT, 2019b). Some acknowledged the authoritative power of this new stakeholder in the arena unconditionally (“NRVT rules are at the heart of everything here. It is a struggle to implement that well. Our professionalism is measured by the compliance we show here.” [P07]). Others touched more lightly on the matter. Yet all participants felt they had to prevent potential critical feedback that could lead to bank reviews or worse (i.e. removal from shortlist). Therefore this view on professionalism involves the valuer’s ability to prevent authoritative concerns over valuation quality, which translates into meeting regulatory requirements by delivering reports that can be validated and are backed by complete dossiers that need to be available upon audit request (“When a bank is audited by the Dutch Central Bank they will come and check up on things, sometimes half a year later or more. And that’s when your story has to check out.” [P12]).

In summary, views on professionalism of participants seem to focus on providing accurate valuations, managing good client relations and meeting compliance standards. In practice, however, each of these core aspects of professionalism come with their own set of performance requirements that require time and effort in order to fulfil adequately. In view of this, we turn to our second-order analysis for presenting the constructs of associated ideal types.

Second-order results

Second-order interpretations involve the categorisation of ideal types and their properties using the institutional logics building blocks. Three dominant types of logics in Dutch commercial valuation are contrasted, key aspects of each are set out in Table 19.

First, the technical-professional logic can be distinguished in Dutch valuation practice from interview data. According to this logic, authority is with the professional association and its representative, the valuer, who predominantly fulfils an expert role. As such, he exercises expert power based on professional standards’ authority that promote values as independence, expertise and objectivity. The mission key to this logic is centred on providing a sound valuation assessment that generates trust, which is evidenced in delivery of a persuasive valuation report that creates understanding and is well founded. Strategic attention is therefore given to research and consideration, in order to improve judgement quality, as well as collegial consultation and feedback. As such, the valuer’s first ideal role type in valuation is that of an ‘Expert’, whose main concerns are with the *technical* quality of valuation practice.

In contrast, a commercial logic seems present as well in Dutch valuation practice. This logic stimulates participants to fulfil their role as a service provider, satisfying the need of clients who decide on renewal of the valuation service. Due to fierce market competition, valuers aim to distinguish themselves based on pricing or differentiation strategy. The logic's mission is centred on the development of close relationships with clients, who have relational reward and coercive power, in order to serve the client well and retain a favoured business partnership. This mission is illustrated in the timely delivery of sophisticated and well-articulated valuation reports that lack sloppiness and are easy to understand in order to secure client satisfaction. This mission is illustrated by focus on efficiency and an attentive attitude such as flexibility in service delivery and client feedback. The 'Service Provider' is the second ideal role of valuers, focusing on the *commercial* quality of valuation practice.

Finally, a third logic moderates Dutch valuation practice: a bureaucratic state of professionalism. This logic reflects the procedural quality of valuation practice in order to please regulators such as industry authority NRV and national financial authorities (i.e. AFM and Dutch Central Bank). Its legitimate power is related to fear of regulatory charges or ban from work in case of quality concerns or possible misconduct. Central to the logic's mission is compliance with prevailing regulation, as is evidenced in complete and traceable/accountable dossiers and valuation reports that lack omissions. Professional attention is therefore on justification of correct procedures in order to produce reports that qualify as acceptable. As valuers are not contacted unless there is doubt over quality of work, lack of feedback from authorities is perceived as qualification. Hence, the third ideal type of valuers concerns the role of 'Reporter', who aims to uphold *procedural* quality in valuation practice.

Table 19 Field logics in Dutch commercial valuation practice

<i>Logic</i>	Technical professionalism	Commercial professionalism	Bureaucratic professionalism
<i>Metaphor</i>	“Expert”	“Service provider”	“Reporter”
<i>Authority</i>	Professional association of valuers	Clients	Industry authorities
<i>Power</i>	Expert power	Reward/ coercive power	Legitimate power
<i>Legitimacy</i>	Professional values	Competition	Regulatory charges
<i>Mission</i>	Delivery of sound product	Retain close client relationship	Follow procedural requirements/risk management
<i>Strategy</i>	Technical quality: – Research and foundation – Persuasive reporting	Commercial quality: – Efficiency and client attentiveness – Sophisticated/stylish reporting	Procedural quality: – Compliance and dossier management – Accountable/traceable reporting

Our study has revealed the manifestation of three authorities in pursuance of three different types of valuation quality. It appears that both classic and commercial types of professionalism guide valuer practice, along with bureaucratic views on professionalism. The field-logic constructs seem to confirm the view of a hybridised professional in Dutch valuation. However, participants frequently expressed two concerns regarding field-logic interplay.

One concern relates to the coexistence of the professional and bureaucratic logic. On the surface, both logics seem aligned in terms of purpose, i.e. the enhancement of valuation accuracy. In practice however, they work out rather differently according to participants. Where regulators approach accuracy from a procedural viewpoint, valuation associations concentrate on technical aspects in order to improve valuation quality. While many participants noted that procedural requirements in some way help to reinforce the valuer’s position, i.e. rights and duties, vis-à-vis clients, they also expressed concerns in relation to the extent of regulatory power used to enforce a bureaucracy logic: “It seems as though watertight regulation has become more important than the value itself. That doesn’t sit well with me.” [P09]. Retail banks, under governance of Dutch regulators, seem to prioritise procedural quality as well. Participants seem to acknowledge that both *justification* of value assessments (through sufficient evidence) and *accountability* in the sense of compliance with regulation are important in valuation practice, yet its balance has turned towards a prevalence of procedural quality.

The second concern relates to the technical/commercial logic interplay in valuation. Market competition and tight deadlines require prioritising of activities to some extent in view of

available time budgets: “Up to a certain point I dig into market evidence. Because of time. Time versus cost.” [P12] and “Quality of work is an area of concern, in the sense that one has to free up sufficient time for it. Every report that is sent out has seen its fair share of research, yet its quality may vary”. [P06]. As such, concerns are expressed in terms of time availability for (reflection on) sufficient research and foundation before reports are sent out in order to meet deadlines.

Theoretical implications

Following analysis of participants’ perceptions and authors’ interpretations, the last step in our grounded theory approach is to connect its insights to the current knowledge base on valuation accuracy as well as field-logics in professional service firms (PSF), in order to ground the outcomes and comment on its robustness. As such, we would like to raise two points.

First, the outcomes can be related to previous studies on client-related accuracy. For instance, Levy and Schuck’s (1999) notion of reward and coercive power that clients use, as well as Wolverton and Gallimore’s (1999) type of coercive feedback and positive reinforcement, can be explained as client attempts to advance the commercial logic above a classic professional logic. In such instances, valuers felt price validation behaviour was either rewarded by means of business continuation or penalised by threats of removal from the preferred supplier list (e.g. Amidu et al., 2008; Smolen and Hambleton, 1997). Furthermore, the ideal logics perspective allows client feedback to be interpreted as a sought-after means for valuers to compare actual with ideal role performance (Hansz, 2004a), in order to prevent client switching behaviour (Levy and Lee, 2009). While reward/coercive power used by clients is arguably unable to change a valuer’s belief of a property value (Levy and Schuck, 2005), it may well stimulate a Service Provider ideal amongst valuers that subdues attention to Expert-role strategy of research and foundation.

Second, the literature on logic tension in the PSF setting seem predominantly related to conflicts between commercial/client and classic autonomous notions of professionalism, e.g. Coram and Robinson (2017). The emergence of institutional bureaucracy as a third, established logic may reflect the acknowledgement of risk management and compliance as an accepted business mission in PSF today, which is observable in the wider PSF literature (Whittle et al., 2016; Soin and Collier, 2013). One reason for its absence as a field-logic in previous PSF studies may be that, in the past, risk management was often ‘downgraded’ to reflect minimum acceptable *technical* quality levels. As such, it may have been perceived as part of technical-professionalism (Spence and Carter, 2014). In this view, Ocasio et al. (2017) refer to transformational change of logics, i.e. where one logic emerges out of another into a sovereign, new field-logic. Another reason why bureaucracy revealed as an autonomous field-logic in our study may relate to organisational settings of participants. In line with Dutch valuation population, most of our participants are employed in small firms. In IL literature, risk management has been perceived as an important part of a managerial-rational field-logic which in fact has been detected in more corporate

settings in PSF and elsewhere (Thornton et al., 2005; Freidson, 2001). Hence, the impact of bureaucracy may in fact come into play at organisational levels, which was beyond our scope due to variance in participant's work settings.

Overall, the use of the institutional logics perspective is perceived to make a noteworthy contribution to the existing knowledge base, as it has broadened our understanding of how client interests may impact on valuer judgement behaviour by means of a Dutch case study. Rather than a one-way relationship in which clients may seek to pressure valuers to protect commercial interests, valuers on their behalf seek to secure business continuity. Thus, it may not necessarily be the type of power used by clients that makes valuers considerate of client preferences, but valuers own urge to secure future income in a competitive environment. As such, valuer and client interests are interwoven to some extent, eliciting the need for strong technical and procedural quality focus to offset (sub-) conscious judgement bias.

7.5 Conclusions

The literature on judgement behaviour in professional service firms identifies client influence as an important source of judgement bias. Yet what is lacking in the valuation knowledge base is conceptual insight into why judgement bias may or may not occur. This study aims to fill this gap by exploring ideal-type valuation professionals in Dutch commercial practice, an industry that is featured by public and private interests. For this research, an institutional logics perspective and a grounded theory approach is applied to comprehend existing views on preferred role behaviour. In a series of 20 in-depth interviews we elaborated with experienced valuers on their beliefs and understandings of professional behaviour. Interview data were used to construct and contrast a typology of three ideals that seem to be present in Dutch valuation practice. Each ideal type reflects an institutional logic that guides preferred professional behavioural from a different stakeholder viewpoint.

The technical-professional logic represents the classic professional standards of autonomy, independence and self-regulation in order to secure technical quality of his work. As such, authority is granted by the professional association to the practitioner, whose role can be typified as the 'Expert'. Commercial and bureaucratic logics compromise this autonomy, at least in part, for different reasons. Commercial-professionalism promotes authority of the client, who has power to hire and fire in light of market competition. Optimal client service provision is therefore essential in a competitive market setting. This view on professionalism is reflected in the role of 'Service Provider'. Likewise, the bureaucratic logic stimulates a risk management mission among practitioners in order to prevent regulatory charges. As such, authority is claimed by industry supervisors, whose logic of action emerged rapidly as dominant in the aftermath of the

2008 financial crisis. The corresponding role with this view is the 'Reporter', who can be held accountable for submitting traceable reports.

As such, it appears that a valuer can be typified as a hybrid professional that incorporates different logics into daily practice, depending on the strength of stakeholders. For example, in the current COVID-19 sentiment, clients may be keen to protect their monetary interests while valuers seek to secure future turnover in view of market outlook uncertainty. This is not to say that technical knowledge is not valued however, it just may not always be perceived as the dominant notion of professionalism. Supremacy of service provision or bureaucratic pressure on compliance over technical quality may hence subdue the Expert ideal, and provide a source of (sub-)conscious judgement bias.

Notwithstanding the fact that our purpose was to identify and describe (yet not measure) prevailing logics, the potential impact of both commercial and bureaucratic logics on valuation quality should raise authoritative and educational concerns over judgement bias effects in our view. Authoritative concerns relate to the potentially contradictory impact of (further) regulation and compliance on the quality of valuation expertise; in the face of constrictive lead times, extension of work in one area will come at the cost of other aspects such as research and substantiation. As such, authoritative interventions may paradoxically compromise rather than enhance valuation accuracy. In terms of education, valuer training programs may benefit from the incorporation of aspects of professional socialisation. By this is meant the preparation of (prospective) valuers for dealing with competing logics and interests in their field, i.e. putting emphasis on professional challenges that may arise from the tension between public service and commercial logics of action. Further empirical research on professional role orientation should verify these concerns, along with international examination of ideal types in other valuation settings. Finally, along with Doty and Glick (1994), ideal type constructs can be used to measure and explain deviation from it, and be used for hypothesising relations with other variables.

Appendix 1: Interview topic list

1. Introduction on participant's practice setting: type of activities, clientele, type of competition, positioning of own firm.

2. Starting question: 'What does practising professional valuation mean in your view?'

Follow-up discussion by means of examples, experiences and situations in elaboration on the following subthemes:

1. Professionalism and being a professional
2. Valuation quality
3. Client relationships and client satisfaction
4. Client feedback and complaints
5. Job motivation autonomy and satisfaction
6. Self-image, authority and status
7. Job pressure and deadlines
8. Professional development and personal points of attention
9. Future perspective as a valuer

8



Role orientation of Dutch valuation practitioners: balanced or biased?

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Abstract

Purpose – The purpose of this research paper is to explore how role orientations of commercial valuation practitioners in the Netherlands may relate to institutional logic pressure associated with stakeholders such as professional associations, the client base and regulatory authorities.

Design/methodology/approach – For this purpose, we have set up a construct that measures priorities in valuation practice through a Likert-scale questionnaire. The questionnaire was sent out by means of a survey to 898 Dutch valuation professionals. A sample of 151 completed questionnaires was used for analysis.

Findings – The typical role orientation reflects some balance between role ideals of the Expert, Service Provider and Reporter. Deviation or bias from the sample mode is analysed through hypothesis testing. While the Reporter role gains importance with experience relative to the sample, Service Provider aspects are particularly present among specialist (full-time) valuers and valuers employed in large corporate settings.

Research limitations/implications – Due to the locality of valuation and institutional setting in the Netherlands, generalisation of results is limited to the Dutch market.

Practical implications – Authority of clients and regulators may shift valuer's attention away from its roots i.e. exercising the Expert role in view of value assessment quality. These concerns may persist due to time and budget restrictions that force valuers to balance attention to various authorities.

Originality – The merits of this research are in the applied theoretical perspective on role orientation and measurement construct, which provides a means for further exploration of role orientation among valuation practitioners in other (international) settings.

8.1 Introduction

Valuation professionals are in the business for serving private clients as well as public interests. While many clients tend to optimise commercial interests in competition-led market dynamics (Jackson and Orr, 2019), the public interest requires independent and objective value assessments as set out by professional standards (Amidu et al., 2019; Mallinson and French, 2000). As such, valuers simultaneously serve dual goals and must take on dual roles. More specifically, this concerns the extent of client authority and its possible influence on role behaviour versus authority of professional standards of independence and objectivity. The fact that much of the valuation behavioural literature has dealt with the impact of client influence on valuer's independence is a reflection of concerns over alleged role conflicts. Evidence of for instance price validating roles rather than independent value assessing roles has been provided by Wolverton and Gallimore (1999); Amidu et al. (2008); and Smolen and Hambleton (1997). However, to the best knowledge of the authors, detailed insight into role orientations of valuation practitioners seems absent in the valuation literature. This is an important knowledge gap in our view, as role orientation reflects a practitioner's view on good work, for instance vis-à-vis clients. As such, it may serve as an important element in the explanation of valuer judgement reasoning or behaviour bias effects.

Dual and conflicting role commitments among individuals towards their profession and organisation was subject of early research by Gouldner (1957; 1958). Gouldner distinguished cosmopolitan workers, who are committed to professional skills and valuers, from locals who are loyal to the organisation for which they work. Professional-organisational dilemmas may be seen as a specific situation of inter-role conflict in which role pressures associated with membership of one's organisation are in conflict with the pressures stemming from affiliation with a certain profession (Dwivedula and Bredillet, 2010; Lui et al., 2001). Hence, if organisational and professional role requirements may seem incompatible, professional employees such as auditors, lawyers and valuers may experience role ambiguity or role conflict (Tubre and Collins, 2000).

Meta analyses conducted on the effects of role conflict on job performance seem to provide a mixed view (Tubre and Collins, 2000; Jackson and Schuler, 1985). Within the context of professional service firms, Anderson-Gough et al. (2000) point out that the notion of clients discourse occupies such a central place in some accountants firms that it downgrades the notion of independence and public service. Empson (2004) goes one step further in stating that organisational identity in the professional service industry has materially changed due to client notice. However, divergent role expectations may not necessarily become role dilemmas as the concept of 'hybrid professionalism' points out. In this context, hybridism refers to the effective integration of different role aspects (Spence and Carter, 2014).

As pointed out, the knowledge base on valuers' role orientation in light of different authorities is limited. Do valuers generally mix different roles into a balanced role orientation or do they bias towards specific authorities in their role orientation? How can deviations from the average role orientation be explained? Our research aims to extend the knowledge base by exploring how role orientations of commercial valuation practitioners may relate to external pressures. For this purpose, we deploy a questionnaire survey to measure self-perceptive role orientations of Dutch valuation professionals. First, we elaborate on the conceptualisation of role orientation.

8.2 Role orientation and commercial valuation practice

In organisational settings, the concept of role orientation refers to how individuals define their role in a specific work setting, that is, their interpretation of a set of behavioural expectations attached to a structural position in an organised set of social relationships (Sluss et al., 2011). Role orientation thus helps individuals to understand the role and its position within a social context, such as how broadly they perceive their role (i.e. scope of work). Yet it also includes what types of tasks, goals and problems individuals see as relevant to their role; and how they believe they should approach those tasks, goals and problems in order to be (perceived as) effective (Parker, 2007). As such, role orientation serves as a framework for interpreting role behaviour in relation to internal or external stakeholders.²⁰

In order to delineate its conceptual emphasis, we contrast role orientation to related concepts as *role perception*, *role commitment* and *work orientation*. First, role perception is believed to have a more generic meaning than role orientation. Role perception is often used to describe perceived role characteristics, for instance in case of role ambiguity (Parker, 2007). Second, in comparison to role commitment, role orientation is perceived to be relatively cognitive in its emphasis. Role commitment may concern intrinsic satisfaction associated with or affective reactions to that role (Parker, 2000; Somers and Birmbaum, 1998). Third, the emphasis on 'role' demarcates a narrow span of orientation in comparison to work orientation. Work orientation implies a more general notion of work and career, and is concerned with whether individuals see their work as a 'job' (with a focus on financial rewards), a 'career' (with a focus on advancement), or a 'calling' (with a focus on socially useful work) (Parker, 2007).

Role theory states that individuals hold multiple roles in different organisational settings (Carsten et al., 2017). We are primarily concerned with role orientation in a professional-organisational context. More specifically, by this we mean those services that represent some sort of public

20 Role orientation is considered an important variable in explanation of actual role behaviour. Another important element is role identity, which sets out how individuals exhibit behaviour in line with self-concepts (Neale and Griffin, 2006). Role identification is beyond the scope of this paper.

interest, yet are provided by a profession that operates in private market settings such as (business) law, accounting, engineering and real estate valuation. In professional service firms, various professional and organisational features and contextual antecedents yield pressure on individual practitioners, whose role orientation may develop and adapt in response to the organisation-environment interplay over time (Gendron, 2009; Hall et al., 2005; Parker et al., 1997). Whereas public interests in such sectors rely on relatively durable, socially constructed behavioural expectations in society (i.e. represent classic views on professionalism, Lawson, 2004), private interests relate to micro-processes that create behavioural expectations due to (inter-)organisational dynamics (Sluss et al., 2011; Reay et al. 2006). As such, role identities are shaped through interaction processes relevant to a particular task or relationship. Evidence on conflicting public-private role orientation and behaviour is amongst others, provided in law (Faulconbridge and Muzio, 2008); auditing (Lander et al., 2013); architecture (Thornton et al., 2005); and controlling (Maas and Matějka, 2009).

Our research aim is to explore role orientation in real estate valuation and explore how Dutch valuation professionals orientate themselves in view of authoritative pressures from relevant stakeholders, such as professional associations, the client base and regulatory authorities. For this purpose, we focus our hypotheses on three professional-organisational features that are deemed relevant in view of role orientation in Dutch commercial practice, i.e. work experience, valuation specialisation and organisational setting.

Work experience

In the aftermath of the 2008-2010 banking crisis, regulation was significantly refined in Dutch valuation practice. This materialised in practice guidelines, the instigation of a new regulative valuation authority and substantial expansion of reporting requirements (PTA, 2013; NRVT, 2016). All changes occurred on instigation of the Dutch Central Bank and the Dutch Authority on Financial Markets, which led to an instant need to increase focus by valuers on compliance and procedural quality (Klamer et al., 2020).

Relatively experienced and senior valuers are used to coherent working schemes that have been developed and internalised over the years of professional life (Lui et al., 2001). In addition, because of their experience, senior valuers enjoy and have become acquainted to relatively high levels of autonomy in their work (Knechel et al. 2013). Younger professionals with limited working experience are often still in their learning stages. As such, they may adopt compliance procedures, as suddenly instigated by NRVT in 2015, as common practice relatively more easy than do experienced peers. Junior members (with up to five years of experience) may have benefitted from educational programs that put more emphasis on compliance in recent years. As such, we argue that advanced valuers who have become used to a certain level of autonomy in work and who have successfully performed valuation activities in the pre-compliance era,

will put lower focus on procedural quality than valuers with less work experience. Hence, our first research hypothesis (RH1) states the following:

RH1: Focus on procedural quality will reduce as valuation experience increases

Valuation specialisation

Optimal service provision, as reflected in client-related aspects as attentiveness, communication and satisfaction, is a very important aspect of quality management in real estate agency²¹ (Zietz and Sirmans, 2011). Its importance is illustrated by transaction-based commission to be earned upon successful closing (Allen et al., 2015). Seiler et al. (2008) add that a real estate agent's reliability, responsiveness to customers' needs and empathy with the client are the most important dimensions in measuring total service quality. Reliance of trust is an important ethic in relation to reputational concerns as a dealmaker (Kurland, 1996). While trust is also an important ethic in valuation assignments, its connotation is notably different from that of agents. Valuation effort is aimed at sustaining public trust and confidence in the accuracy of their output, regardless of client interests (RICS, 2017a).

Professionals who combine valuation and agency work hence commit themselves to, and yield trust from, both clients and the general public. In the Netherlands, intermediaries are allowed to perform such combination of agency and valuation work, although not simultaneously for a particular client. Individual valuers who combine valuation and agency activities in daily practice, hereafter denoted as part-time valuers, are assumed to have developed a relatively strong emphasis on service provision due to their agency background. This emphasis, which may help in securing future agency services from valuation clientele, is based on a relatively high client service ethic, which is internalised and fine-tuned over the years in order to render successful agency services. As such, our second research hypothesis postulates the following:

RH2: part-time valuers put relatively more emphasis on service provision aspects in their role orientation than do full-time valuers

Organisational configuration

Large organisations are generally more diversified than their smaller peers. It is recognised in accounting literature that the shift towards diversification of services in large accounting firms has been accompanied by increasing commercialisation in practice, both formally (i.e. billing hours) as informally through appearance and conduct (Gendron et al., 2009). Such norms may have been reinforced by the gradual evolvement of a corporate business culture (Thornton, 2002). Incorporation of commercial aspects into role behaviour in such environments is perceived as important to ascend to the top of organisational hierarchy, and as such downgrades traditional norms and values of independence and objectivity (Spence and Carter, 2014; Anderson-Gough, 2000).

21 The terms brokerage and agency are used interchangeably here.

Valuation departments of large (Dutch) professional real estate service firms (compete to) serve a similar client base. Most of these service firms are part of international conglomerates that provide full-service concepts to their clients, for instance by means of cross selling. Competition among such conglomerates is high and generates success awareness of peers as well as mimetic pressure (Beck and Walgenbach, 2005). Being part of such real estate service firms, valuation teams will face similar organisational pressure to become preferred suppliers in view of market competition (Klamer et al., 2018). We anticipate our third research hypothesis as follows:

RH3: valuers employed by large real estate firms put more emphasis on service provision aspects in their role orientation than do valuers who are employed otherwise

8.3 Questionnaire

Valuation contains a relatively stable scope of work, i.e. valuers follow a pattern of activities in order to successfully complete assignments. It is therefore not the type of activities, yet the depth in performing those activities that may reveal one's role orientation. By placing relative high emphasis on certain valuation parts valuers may define the essence of their work, for instance in view of time pressure or competition. Therefore, this study on role orientation addresses self-perceptive priorities in valuation work, examination of which is measured by means of a Likert scale-based questionnaire.

Questionnaire structure

The complexity of this research is in the selection of relevant tasks and activities to be included in the questionnaire. In order to enhance construct validity, we draw from two recent sets of interviews with experienced members of the target population. Both sets of interviews addressed complexity in commercial valuation practice. In one study (Klamer et al., 2018) a grounded theory approach was used to unravel task complexity in commercial valuation and to explore variance in preferred valuer behaviour in case of complexity. From this, we drew different process activities that are typical for Dutch commercial valuers, yet which may encounter differences in execution ('situational task complexity'). One example would be client contact in relation to the instruction, which some valuers embrace as an opportunity to reinforce client relationships and others do not. Another task that contains varying effort is market research and analysis for substantiation purposes.

The second study (Klamer et al., 2020) undertook a series of in-depth interviews with another set of experienced valuers to discuss and disclose shared views on professionalism in relation to prevailing institutional logics in valuation. Its results indicate that three logics of action tend to guide valuer behaviour in different stages of valuation practice. Each logic is represented through an ideal role type, i.e. the Expert type, the Service Provision type and the Reporter type, which explains how valuers should ideally perform their work through the eyes of a particular

stakeholder. The Expert ideal type will make particular effort to the quality of research and foundation in reports, and is predominantly concerned with functional professional authority as set out in valuation standards. The Service Provider ideal type is first concerned with client's authority (i.e. business retention) and upholds client attention and client management as central themes in valuation practice. The Reporter considers accountability of reporting and risk procedures as an imperative for valuation quality (i.e. prevent charges from regulative authorities). Dependent on the perceived authority of a stakeholder, valuers may prioritise (aspects of) one ideal type over another, or blend all logics in a mixed view on professional practice.

From the two studies we illustrate how ideal types may be expressed in valuer behaviour in a number of valuation process activities, as set out in Table 20. As such, our aim is to provide indicative role orientations among Dutch valuers in relation to these three ideal types.

Table 20 Focus areas valuation process

	Focus on valuation activity:	Reflection of ideal type:
1.	Instruction initiation and instruction progress client contact	Service provider (maintain client relation)
2.	Market data analysis in relation to property specifics	Expert (research and justification)
3.	Calculation and modelling considerations	Expert (consideration and judgement)
4.	Reporting standards and compliance	Reporter (accountability of work)
5.	Filing standards	Reporter (traceability of work)
6.	Closing and follow up client contact	Service provider (secure/extend client relation)

By means of a survey questionnaire, we have asked valuers to self-assess the level of attention and care they devote to different valuation activities relative to each other. In order to test for response consistency, we used two different angles (i.e. activities and tasks) in the questionnaire, which technically only differ in wording and scale yet relate to the same six focus areas. By exploring how valuers believe they can best divide their scarce time and effort over those role aspects, we obtain indications of how different authorities work through in individual role orientations (i.e. containing a mixture of different roles or a bias towards a specific ideal). In the questionnaire we have controlled for complexity of valuation work as well as type of instructions (i.e. valuers specialising on complex valuation assignments such as health care property may require relatively high efforts on expertise).

For hypotheses testing, we applied Spearman Rho and Kendall tau rank coefficients for correlation testing procedures on variables measured at ordinal level (e.g. hypothesis 1). For hypotheses 2 and 3, Mann Whitney U tests were applied to allow for comparison of priorities between sub-

groups. The Mann Whitney U test is the nonparametric equivalent to the independent t-test for groups when the dependent variable is ordinal. It is used to test whether two independent samples from the population have the same distribution, under the null hypothesis of equal distribution among groups (De Vocht, 2017). All statistical analysis have been performed using SPSS Statistics version 25.

Data sample

The survey was sent out in spring 2020 to Dutch commercial valuation professionals who in recent years have enrolled in valuation education programs at the Dutch-based ACADEMIE VOOR VASTGOED, the largest provider of educational programs for real estate valuers and brokers in the Netherlands. The sample comprises of 898 professionals, which represents approximately 45% of the total Dutch commercial valuation population (i.e. 1,992 registrations) at the time (NRVT, 2019a). As such, the sample addresses a large extent of the population of commercial valuers in the Netherlands.

At the time of surveying (April 2020), the Netherlands were involved in an intelligent (i.e. urged yet not mandatory) lockdown on account of fear for the global COVID-19 pandemic. This implied that, among other things, work in general was accomplished from home offices throughout the country as much as possible from March 12th, 2020 onwards. This included property valuation instructions, although property site visits may have taken place on-site or online. At the time, COVID-19 effects on the Dutch economic and property market outlook were uncertain and official forecasts on market developments were not published yet. We attempted to acknowledge for potential Corona-related response impact by specifically requesting participants upon each relevant question to base their answer on ordinary, pre-Corona, business settings.

The lockdown may have beneficial to the survey response rate, which was relatively high: in total we retrieved 217 filled in responses (24.1% response rate). We excluded respondents who were either primarily involved in residential instructions or who predominantly performed complicated commercial valuation instructions, leaving a sample of 151 for analysis purposes. We accounted for late response bias (as an indication for non-response bias; Lambert and Harrington, 1990) by comparing 50 randomly selected early and late returned responses for disparity. Mann-Whitney U tests revealed no significant outcome differences on role orientation, which also helps to offset to some extent concerns in relation to COVID-19 impact during the lockdown period.

8.4 Results and discussion

Descriptive statistics of the sample are provided in Table 21 below.

Table 21 Descriptive statistics

Descriptive statistics			Total
Type of registration	BV 110 (72.8%)	GZV 41 (27.2%)	151
Valuation experience	19.0 yrs (10.1 yrs)		145
Company size	≤5p. 70 (46.4%)	6-40p. 53 (35.1%) ≥41p. 28 (18.5%)	151
Specialisation	FT 66 (43.7%)	PT 85 (56.3%)	151

Notes: Average and standard deviation provided for experience. Six experience cells were left blank.

About 73% of the sample holds the regular 'BV' registration for commercial real estate valuation in the Netherlands. The remainder holds an enhanced 'GZV' registration, which allows for the valuation of complex properties or assets in excess of €5 million. Almost one in five valuers is employed in large firm settings containing over 40 employees. About 56% of the sample is part-time (PT) valuer, and combines valuation work with brokering/agency or other activities. The remainder is a full-time (FT) valuation practitioner.

For our hypotheses, we are interested to learn how different logics work through in role orientations in our sample and understand how deviations from the sample relate to certain professional variables. As the questionnaire generates ordinal data measured through Likert-type questions, we focus on deviations from the sample mode on role priorities as well as between-group distribution patterns for hypotheses analysis. Sample modes for both tasks and activities are rearranged to reflect similar scales as shown in Table 22. Full item descriptions and distributions are included in Appendix 1. In both items a pattern is observable in which the Expert-associated tasks and activities are prioritised (i.e. mode scores of 5 on a scale of 1 to 5) over Reporter-items and Service Provider-items. With professional standards emphasising sound investigation during valuation practice (RICS, 2017a), the relatively high scores on the Export role are not surprising. For each respondent, deviations on both tasks and activities from sample modes were obtained and combined to reflect an overall deviation score per role against the sample. We use this overall deviation score per role as our dependent variable for hypothesis testing.

Table 22 Average role item scores

Sample modes role item (scale 1-5)		
	Tasks	Activities
Expert item (E1): calculations	5	5
Expert item (E2): data analysis	4	5
Reporter item (R1): reporting compliance	4	4
Reporter item (R2): filing	3	3
Service Provider item (SP1): instruction contact	3	3
Service Provider item (SP2): closing contact	3	3

Hypotheses testing

Research hypothesis 1 states that valuation experience correlates negatively with focus on procedural quality). The null hypothesis therefore assumes that Reporting role item modes do not differ from sample modes as experience increases, while the alternative hypothesis does presume a such difference on Reporting items:

$$H1_0: \rho_{\text{exper}} = 0$$

$$H1_a: \rho_{\text{exper}} \neq 0$$

where ρ_{exper} represents correlation between valuation experience and deviation on Reporter's role

Results are shown in Table 23. Correlation tests have been applied using both Spearman's Rho and Kendall tau coefficients. We find that valuation experience shows (modest) negative yet significant correlation coefficients ($p < 0.05$), indicating that the focus on Reporter's role aspects increases rather than decreases with valuation experience. Although seniority comes with a certain level of autonomy in working schemes, regulative pressure on compliance standards seems to become more effective with experience. This may be related to fear over disciplinary charges in case of procedural misconduct. We therefore reject H10, and accept the alternative hypothesis H1a implying correlation between experience and the Reporter's ideal, albeit in a different direction than theoretically assumed.

Table 23 Correlation coefficients

Correlation coefficients R		Valuation experience
Reporter	Spearman's rho	0.202
	p-value	0.015*
	Kendall's tau-c	-0.140
	p-value	0.019*

* Significant at 0.05 confidence level, ** significant at 0.01 confidence level

Next, we examine the effect of valuation specialisation (i.e. full-time valuation practitioners versus part-time practitioners). Hypothesis 2 states that part-time valuers give relatively more attention to items of the Service Provision role than do full-time valuers. Therefore, we assume a null hypothesis of equal distribution of Service Provider (SP) scores for both full-time and part-time valuers. Alternatively, part-time valuers rank differently (higher) on SP role items in comparison to full-time valuers.

$$H2_0: SP_{PT} = SP_{FT}$$

$$H2_a: SP_{PT} \neq SP_{FT}$$

Where SP_{PT} represents part-time valuers and SP_{FT} represents full-time valuers

Results are provided in Table 24. Part-time valuers in fact rank relatively lower on SP role items, i.e. provide relative less attention to SP role items in comparison to full-time valuers. We used a Mann-Whitney U test to compare mean ranks. A significant difference was found on between-group distribution patterns on SP scores (p-value = 0.042). The outcome reflects that full-time valuers in our sample put more emphasis on service provision aspects than do part-timers. Despite a strong client responsiveness and service attitude that comes with agency experience, full-time valuers seems to outrank part-time valuers on service provision. This may be a reflection of the strong competitive setting in which valuers operate and the fact that part-timers have other sources of income to rely on besides their valuation clientele. We reject H20 and assume unequal attention to SP role items between full-time and part-time valuers in our sample.

Table 24 Mean rank differences full-time/part-time position

Service Provider role FT/PT valuers				
	N	Mode	Average	Mean rank difference*
Full-time valuers	66	2	1.15	84.12
Part-time valuers	85	1	0.35	69.69

* Significant at 0.05 confidence level, ** significant at 0.01 confidence level

Our final hypothesis involves Service Provider role focus in relation to organisational size. We assume that valuers in large firms will denote relatively more attention to the Service Provision role than do other valuers. Our null hypothesis therefore assumes equal distribution in role item modes between valuers in large firms versus those working in other type of firms:

$$H3_0: SP_{large} = SP_{other}$$

$$H3_a: SP_{large} \neq SP_{other}$$

Where SP_{large} represents valuers employed in relatively large firms (e.g. > 40 employees) and SP_{other} represents all other firms

Table 25 Mean rank differences firm size

Service Provider role firm size				
	N	Mode	Average	Mean rank difference**
Large firm size	28	3	2.07	100.18
Other firm size	123	0	0.39	70.50

* Significant at 0.05 confidence level, ** significant at 0.01 confidence level

Results shown in Table 25 imply that respondents in large firms are significantly more attentive to the Service Provider role ($p=0.001$ using a Mann-Whitney U test). We reject H30 of equal sample distribution in relation to firm size and accept the alternative hypothesis.

Overall, our results point out some significance in sample pattern biases, although the results have not been consistent with the literature review in some cases. The locality of market dynamics and institutional settings point out the need for further elaboration on the knowledge base on (valuer) judgement behaviour.

8.5 Conclusion

This paper involves a study on role orientation of commercial valuation professionals in the Netherlands. Using a questionnaire survey, we examined how different role ideals are typically reflected in role orientations across a sample of 151 valuers. Our hypotheses explored deviations from this sample in relation to professional features. The results indicate the following.

In general, our survey indicates that valuers balance their time and effort between the distinguished role orientations of Expert, Service Provider and Reporter (with the Expert ideal being most prominent). However, some biases from this survey mode have been observed as well. The Reporter role seems to gain importance with rising experience in comparison to the sample, arguably a reflection of prioritisation of procedural compliance with seniority in valuation. Furthermore, we find that full-time valuers and valuers employed in large corporate settings seem to put significantly more emphasis on Service Provider aspects compared to part-time valuers or valuers employed in smaller firms. Further research should point out the extent to which these results can be attributed to the competitive nature of market settings.

Whilst this research sheds some new light on role orientation in view of client pressure, our findings can only be interpreted in view of the Dutch valuation context as is reflected in our hypotheses. Neither have we attempted to provide a full construct of role orientation, as we were primarily interested in the impact of institutional logic pressures on self-perceptive role orientations. Finally, it is noted that role orientation typically changes gradually and in relation to

organisational-environment interplay over time. Hence it is assumed not to be subject to short-term market obstructs in relation to for example Covid-19. Overall, the merits of this research are predominantly related to the applied perspective of role orientation on behavioural bias and originality of its measurement construct, which should point out both a need and means for further exploration of role orientations of valuation practitioners in other settings.

Appendix 1: Individual role item mode scores

Table 26 Individual scores tasks

Role items modes - task view (scale 1 low to 5 high)						
	E1	E2	R1	R2	SP1	SP2
1	8	5	14	7	12	6
2	11	14	8	14	22	16
3	36	29	41	54	82	85
4	39	53	47	39	25	32
5	57	50	41	37	10	12
Total	151	151	151	151	151	151

Table 27 Individual scores activities

Role items modes - activities view (scale 1 low to 5 high)						
	E1	E2	R1	R2	SP1	SP2
1	1	0	0	4	8	5
2	1	1	9	8	18	20
3	20	23	42	56	77	61
4	45	40	53	44	32	51
5	84	87	47	39	16	14
Total	151	151	151	151	151	151

Table 28 Item descriptions

Description
E1 = Export role item 'data analysis'
E2 = Export role item 'calculations'
E3 = Reporter role item 'compliance in reporting'
E4 = Reporter role item 'filing standards'
SP1 = Service Provider role item 'instruction contact client'
SP2 = Service Provider role item 'delivery and follow up contact client'

9



Research conclusions, discussion and recommendations

9.1 Introduction

This PhD research project started in 2016 in order to address the perceived lack of sustainable knowledge on the manifestation of client orientation in Dutch valuation practice. Insight into how client orientation may affect judgement autonomy of Dutch valuers was identified to be a black box. This box needs to be opened, in order to create awareness of judgement reasoning patterns vis-à-vis client-related bias risks. Such knowledge serves to enhance normative aspects of professional development, for instance by professional practical training and educational programs that involve judgement and decision behaviour of valuers. Such advancement is considered necessary in view of regulators' concerns over valuer accuracy in recent years, in which independence and objectivity issues are perceived as an important aspect (as set out in chapter 1). In order to address the formulated knowledge gap, this PhD project was aimed at answering the following problem statement:

"How does client orientation affect professional judgement autonomy of commercial real estate valuers in the Netherlands?"

The research set up to address this problem consists of five studies, i.e. a literature review and four empirical studies. The systematic literature review covers international evidence on the occurrence of valuation judgement bias over the last 30 years. The empirical research is split into two parts and examines judgement reasoning from both a task perspective (i.e. focusing on execution of valuation work) and a role perspective (i.e. emphasising professional role views of valuers). Both parts consist of a qualitative and a quantitative study using empirical field data. Qualitative studies are based on grounded theory methodology in order to conceptualise and theorise findings on client-related judgement reasoning patterns. Survey methodology was applied to analyse the extent of its impact in the Netherlands. As such, I have attempted to provide a thorough understanding of how client orientation may affect judgement reasoning patterns in Dutch commercial valuation practice.

9.2 Results and conclusions

Individual study results

Chapters 4 to 8 of this thesis contain the results of the five studies that have been performed as part of this PhD project. Each study has been submitted for publication in international refereed real estate journals in association with two co-authors. Hence, the appropriate finite verb to refer to in this section is 'we'. The results of the five studies provide the following view on client orientation in relation to judgement autonomy in Dutch valuation practice.

The systematic review that featured the first study in 2016 was aimed to analyse existing evidence and applied research designs on judgement behaviour of valuers over the last 30 years. An in-depth review was lacking in the knowledge base so far and could provide useful insights for empirical research in the Netherlands. Based on a number of selection criteria, we examined research context, methodology and robustness of results of a dataset of 32 international papers between 1985 and 2015. About half of all studies provided evidence of judgement bias. The available evidence is however found to be limited and biased in terms of methodology and research context. Therefore, we concluded that the produced evidence on the occurrence of judgement bias was considered in lack of sufficient substance to yield (systematic) insights into the manifestation of client-related judgement bias.

Empirical investigation of Dutch valuer judgement reasoning patterns started with the second study in 2017, which contained an examination of cognitive tasks in valuation practice using a grounded theory methodology. This study aimed to explore elements of task complexity in Dutch commercial valuation practice and disclose how experienced valuation professionals deal with such complexity. For this purpose, the concept of task complexity was applied, disclosing areas of judgemental effort and associated stimuli in Dutch valuation practice. The study disclosed essential judgement areas in input, process and output stage of valuation. Moreover, valuers seem to hold a broad view on task execution, taking into account time/budget constraints while being receptive to various environmental cues when faced with judgement complexity. Such cues usually seem to involve aspects of data quality or client expectations or client expertise. Autonomy is used to direct cognitive effort towards deciding if and how (client-related) environmental cues shall be incorporated into task performance. As such, this study points to an ‘environmental’ presence of clients that generates situational task complexity for practitioners.

The outcomes of the first grounded theory study emphasised client-related task complexity among valuers in various parts of valuation practice. Therefore, the next study was used to analyse how such complexity may impact judgement reasoning at individual levels through survey examination of an important task: the selection and verification of information quality used to support one’s value opinion. This study, performed in 2018, concerns the relationship between a valuer’s choice of information verification and professional work experience and job position. For this purpose, we used a case-based survey that contained three judgement cases. Each case contained information that is sensitive to client interests, and examined the level of ‘professional scepticism’ that participants demonstrate in verification of potential client-related information. Such scepticism may range between extremes of naivety and paranoid. It was hypothesised, and statistically confirmed, that valuers with substantial brokerage experience, as well as valuers acting at partner level within their respective organisations, are less sceptical (i.e. less critical) and score lower on verification of client-related information than peers without such features. Both work aspects featured above average in the sample composition, which consisted

of 290 Dutch commercial real estate valuers. We concluded that valuers that (aim to) retain close relationships with their clients, due to their function level or other activities deployed, may be more vulnerable to client-induced judgement reasoning. This outcome attributes to the perception of 'client attachment' (i.e. actual or sought-after close working relationships with clients that may affect neutral or independent judgement).

The preceding study revealed aspects of client attachment among valuers. Therefore we switched our perspective from task to role perspective in order to assess the importance of client orientation in relation to practitioners' perceptions of professionalism. In a second grounded theory-based study performed in 2019, the concept of institutional logics was adopted to study logics of action in Dutch practice. The aim of this paper was to examine shared beliefs and understandings of governing logics among valuers, and to disclose how such logics materialise in daily practice. Interview data led to the identification of three types of logics of action that govern Dutch practice, and to the construction of three associated ideal role types. The first ideal type is the 'Expert' ideal, who focuses on professional valuation standards and emphasises judgement autonomy towards developing sound value assessments. Next, the 'Service Provider' ideal is centred on the development of close relationships with clients in view of securing future business. This ideal therefore emphasises efficiency and optimal service delivery aspects in judgement reasoning. Finally, the 'Reporter' ideal emphasises procedural quality and compliance standards in judgement, in order to prevent regulatory charges from authorities. It is concluded that the (Dutch) valuer is to be perceived as a *hybrid* professional who attempts to incorporate aspects of each institutional logic into daily practice. However, availability of time or budget and motivational issues may hinder a valuer to (continuously) live up to the standards of all three ideals. As such, meeting the standards of the Service Provider or Reporter ideals may blur objective judgement reasoning and affect classic professional judgement norms as propagated by the Expert ideal.

The final study was performed in 2020 and explored professional role orientation of Dutch valuers. By means of survey research, we examined self-perceptive role views in relation to the three ideal role types as identified in the preceding study, and explored to what extent professional features can explain 'bias' towards a specific ideal type. Based on a sample mode of 151 respondents, the results in fact confirm a general role orientation that can be observed as 'hybrid', i.e. reflecting aspects of all three ideal types (with the Expert role appearing as most prominent). Statistical analysis indicated that the Service Provider ideal is significantly more important to valuers who are employed in large corporate service firms and to valuers that act as full-time valuers (i.e. do not combine valuation work with brokering services). The latter result was contrary to what was hypothesised, which suggests that client orientation is strong when practitioners lack other sources of income besides valuation. Furthermore, we found that emphasis on the Reporter role rises with experience. As such, we concluded that professional

setting has an impact on role orientation. Professional judgement reasoning as promoted by the Expert ideal, which denotes emphasis on research, analysis and substantiation of opinions, seems vulnerable to devaluation in favour of service provision or compliance and reporting quality in view of brief timeframes.

Thesis conclusion

In light of the above summarised insights derived from individual studies, the problem statement of this thesis (i.e. *“How does client orientation affect professional judgement autonomy of commercial real estate valuers in the Netherlands?”*) can be answered. The role perspective that guided the last two empirical studies demonstrates how client orientation seems to relate to a commonly shared perception among Dutch valuers of ‘the client base’ as a type of authority. The institutional logics study in chapter 7 points out that the status of the client authority is comparable to those of professional valuation associations or regulative authorities, i.e. one that governs activity of Dutch valuers. Its standing, or rank, vis-à-vis both other authorities seems to be judged somewhat lower by respondents, as is illustrated in chapter 8. The authority of clients is evidenced through the ideal role of the Service Provider that practitioners deem important to fulfil. This role is featured by a distinctive logic of action that influences a valuer’s practice mission (i.e. retention of close client relations) and strategy (i.e. emphasis on commercial practice aspects in judgement reasoning, such as efficiency and a client attentive attitude).

The power of the client base can be explained by the competitive nature of Dutch valuation practice, which stimulates price competition and service differentiation as evidenced in chapter 5. This setting benefits clients in negotiating commercial aspects of instruction terms (i.e. terms as pricing or deadlines) and in communicating standards of output quality. However, the task perspective also demonstrates how such client orientation may have undesirable side effects (from a profession’s point of view) with regard to autonomy in judgement reasoning in daily practice. Chapter 5 revealed the relatively ‘broad’ task orientation of valuers. Valuers seem to be receptive and responsive to environmental cues in their judgement, such as client expectations or interests. Thus, the broad perception on task complexity provides a *means* through which client orientation may hinder classic professional judgement autonomy when faced with task complexity. As such, client orientation may interfere with classic views on judgement autonomy as advocated by professional standards (i.e. independence and objectivity). An example of such blurring in reasoning is provided in the information verification study described in chapter 6, where valuers seem to vary in verification effort in relation to certain work features. Alertness to environmental cues by valuers can therefore be explained as a feature of client orientation. This alertness may differ by type of valuer and may depend on work setting. This points to a need for exploration of and reflection on individual practitioner’s norms on judgement, in consideration to potential client-related judgement bias in reasoning patterns. As such, the

combined perspectives of both task and role orientation disclose how client orientation may affect professional autonomy of Dutch valuers in practice.

In this regard, it should be noted that the perception of the client as an authoritative entity may not be something valuers generally are aware of. This is due to the fact that during interviews, few respondents actually acknowledged clients as an authority that would govern or direct their activity. Many respondents do experience client pressure, yet many expressed a dedication towards maintaining an independent position from clients and would not succumb to such pressure for reasons of integrity and reliability (i.e. “once you submit to such pressure, you’re lost”). Nonetheless, individual studies indicated how clients, through valuers orientation, do impact on judgement reasoning patterns. It is therefore my impression that respondents, as representatives of the Dutch valuation community, seem to be unaware of clients’ authoritative or directive claims on judgement patterns that go by client orientation. In this regard, the average working experience of approximately 18 years of this community should also be taken into account. Valuers may have become (too) familiarised to ‘demanding’ client behaviour over the course of their working life as a valuer; such behaviour may at some point be perceived as ‘common’ counterparty behaviour.²² Hence, stimulating awareness of associated judgement autonomy risks in relation to clients is a key aspect of practice recommendations, as set out in section 9.3.

9.3 Discussion and implications of results

In order to interpret the impact of obtained results, they should be placed in the context of the developments that affected professions as outlined in chapter 2. First, I will discuss views on the professional status of Dutch valuation; next I shall address its associated effects on (changing) autonomy that underlie the manifestation of client orientation in Dutch practice. In light of the discussed commercialisation of professions in chapter 2, the community of (commercial) real estate valuation practitioners may be perceived twofold: valuation as a type of profession and valuation as a type of business.

Valuation as a (semi-)profession

The (Dutch) valuation community could be perceived as a (semi-)profession that is featured by a number of ‘classic’ professional attributes. These include the following:

22 In this regard, it is pointed out that the average Dutch population age of commercial real estate valuers is estimated at 51 years (i.e. Notes: ‘BSc’ represents Bachelor of Science education. Average and standard deviation provided for age and experience variables. 43 age cells were left blank. Percentage differences due to rounding. Table 6, chapter 6), which should provide ample opportunity for development of relationships with clients during individual career paths in valuation.

- Public service: valuation serves a financial-orientated public interest, due to financial exposure of the community's work to a wide range of stakeholders that are increasingly interconnected through integrating financial markets. The reciprocity of its social contract to the public is reflected by authorities' concerns in the aftermath of the 2008 financial crisis over valuer independence and the subsequent instigation of NRV in 2015. An indication of the extent of its public interest is illustrated by the aggregate value of annual valuation assignments that encompasses hundreds of billions in the Netherlands;
- Self-regulation: society has granted self-regulation as a means of autonomy to professional valuation associations (i.e. Dutch national register NRV), which is exercised through individual certification of qualified professionals and continuous professional development of members through a system of permanent education. Recognised valuation standards and ethical principles of renowned international professional bodies are incorporated into NRV regulation, articulating norms of objectivity, integrity and impartiality;
- Judgement complexity: commercial property valuation is a complex task which examines a heterogeneous product in a relatively localised and non-transparent market place, featured by ambiguity of information sources. The quality of work therefore depends on personal judgement, i.e. individual knowledge, expertise and interpretation of information cues in the task environment (as is manifested in chapter 5).

However, there are a number of weaknesses that foster concerns over the community's maturity as a profession. Most notably, this includes the following:

- Human service ethic: the public interest of valuation lacks a human-based service ethic that serves the needs of the weak or vulnerable ones in society. This humanitarian ethic represents the core of classic professions as medicine (i.e. human cure and care). As such, valuation cannot be regarded as a (morally denoted) professional community that directly services a specific humane need;
- Scientific body of knowledge: valuation is criticised for having a relatively small body of scientific knowledge to generate theoretical insights to its practitioners. As is elaborated in chapter 3 (p.21), in part this is attributed to the availability of numerical databases in the field that has stimulated practice-oriented research using valuation output;
- Uniformity of practitioner profiles: in comparison to the UK, the field studies included in chapters 6 and 8 in this research point to a rather diversified population rather than a homogeneous community of valuers in the Netherlands. Where UK valuers predominantly follow one route of university-based education into community enrolment, the Dutch qualification system offers alternative educational routes towards membership ranging from

vocational education to university. Moreover, Dutch practitioners may combine the practice of both (public interest) valuation and (private interest) brokerage and agency activities, whereas UK practitioners tend to specialise in either activity.

Valuation as a business

Valuation could also be perceived as a business, rather than a profession, that is primarily concerned with self-interest. Central arguments to this proposition include the following:

- Commercial interests: valuers are often instructed by private clients with (partial) commercial interests that operate in for-profit sectors (i.e. private investors, retail banks, developers, business owners). This research illustrates that such counterparties may not always be interested in valuation process quality – for instance, when lacking in-house real estate expertise as indicated in chapter 5 (p.60) – yet focus on the final valuation figure that is required for business or financial purposes;
- Competitive market place: valuation is featured by a strong competitive market place in the Netherlands. Practitioners need to compete with peers through price competition and service differentiation in order to win and retain clients. Dutch practitioners seem well aware of required flexibility in service delivery and efficient lead times to meet client needs;
- Client-relationship: the ‘hire and fire’-norm seems to have put clients in the driving seat. Interview sessions pointed out that Dutch valuers may be perceived by clients as (ordinary) business suppliers, whose performance is periodically evaluated to the extent to which they meet client standards. For economic reasons valuers may seek longer-term client relationships in their role as service provider, by being attentive to client needs and client satisfaction in service delivery.

However, the perception of valuation as a pure business may be tempered as well:

- Valuation is said to be somewhat immune to economic boom and bust periods. Respondents pointed out there is a need for valuation work regardless of economic sentiment. In downturn periods, perceived uncertainty over real estate book values instigates re-valuation assignments in order to minimise solvability risks. Although demand for valuation work in such times may not equal employment changes in economic boom periods, this continuing need for valuers may to some extent downgrade the importance of client satisfaction for recurring business.

In my view, the results of this research point out that Dutch valuation is best perceived and described as a commercial or *business profession* (i.e. Hanlon, 1998) rather than a semi-profession. A business profession could be described by a mixture of both classic professional community

attributes, reflecting a public interest and self-regulation, as well as essential business aspects that centre on commercial interests, competition and economic survival. As such, behaviour of business profession members are guided by (at least) two distinctive logics of action, i.e. classic professionalism and commercial professionalism. Classic professional logics focus on technical-professional quality based on expertise, research and sound value assessments. On the other hand, commercial professional logics emphasise service provision optimisation and reliance on efficiency and client relations. The present study of valuation practice illustrates that both logics govern valuer activity in practice. This perception of social reality of Dutch valuers seems in turn to have instigated the emergence of a hybrid valuation professional in the Netherlands, who uses his (her) professional autonomy to judge and weigh the interests of different stakeholders representing different logics.²³

In the context of a business profession, the impact of client orientation on valuer judgement behaviour cannot be seen in isolation from changes in (professional) autonomy that came with increasing commercialisation. Chapter 2 elaborates on how a focus on service quality changed business orientation towards the end of the 20th century, in order to gain competitive advantage in dynamic market settings. (Dutch) valuation practice seems no exception to this development. This thesis points out that client contact and feedback is valued as a means to collect information on client needs and service satisfaction, with a view to retain or strengthen client relationships and associated turnover. As such, professionalism in professional service firm (PSF) settings not only implies execution of professional knowledge and judgement quality, but increasingly involves conducting and constituting oneself in an appropriate, client-orientated manner: ‘keeping the client happy’. It implies that business professionals such as auditors and valuers may risk to become viewed merely as service providers who enjoy a relatively protected market position (Crompton, 1990).

This narrow perception of professionalism may endanger the terms of the social contract of valuation. The risk involved, i.e. suboptimal judgement quality in favour of optimal service provision to direct beneficiaries, coincides with an increasing presence of regulative authorities in practice. Concerns over sufficient independence and judgement impartiality has fuelled such presence, in both auditing and valuation. Concerns have arisen following publicity over alleged misconduct of some high-profile practitioners (i.e. independency concerns of the ‘Big Four’

23 Based on literature assessed throughout this research project and similarities in practice as elaborated in chapter 2 (p.16), it may be argued that auditing features as another example of a business profession. Both auditing and valuation serve a public interest that is predominantly financially-commercially orientated. The definition of a business profession would exclude a PSF sector as management consultancy however. The latter may lack classic features of self-regulation and public interest in order to be qualified as a (business) profession.

audit firms; AFM, 2018) or collective underachievement (i.e. valuation quality during the 2008 financial crisis; PropertyNL, 2017). Regulators such as AFM and DNB assert their power to impose measures in order to *force* practitioners of both professions towards upholding public duty values and to respect the social contract that generated their right of self-regulation. As noted in paragraph 2.1 of this thesis, such a social contract refers to an (implicit) agreement in which autonomy is granted to the profession in exchange for bearing social responsibility. The impact of regulatory power has been elaborated in chapters 7 and 8 by means of a bureaucratic logic that was acknowledged in valuation practice. This logic advances compliance and accountability of work by means of procedural quality emphasis. The point here is, that procedural emphasis may help to hinder or subdue client influence, however it may also negatively affect Expert-role judgement autonomy. Deadlines and price competition require efficient valuation execution of valuation practitioners; hence (increasing) emphasis in one aspect of practice, i.e. procedural and reporting quality, is likely to come at the cost of other aspects (as pointed out in chapter 8). In this regard, the subject thesis has indicated how Expert-related activities such as research, analysis and substantiation of value assessments may be downgraded in priority once valuers surrender to governing logics associated with either the Service Provider ideal or Reporter ideal in valuation. In light of the current presence of the regulator and client authority in the field of Dutch valuation, it is envisaged that a more prominent manifestation of professional associations in the Netherlands would contribute to asserting its authority and reinforcement of norms of the Expert ideal that promote technical-professional quality of valuation work.

9.4 Practice recommendations

Schön stated that the true professional recognises that functional expertise is embedded in contextual meaning that arises in the relationship between professional and client (Van Ewijk, 2019; Schön, 1983). Being part of a *business* profession, respondents frequently elaborated on the meaning and implications of ‘contextual meaning’ in valuation. Valuers are professionally required to uphold values as trust, objectivity and integrity to protect society from property-related financial risks. In practice, this implies upholding objectivity *towards* and independence *from* clients – who are the same counterparty that reimburses the valuer for his (her) services. Thus, on the one hand, the valuer is faced with the context of a client, with whom the valuer is in direct contact or may have developed a business relationship; who often pays the invoice, and who has a direct interest in the subject real estate that is being valued. On the other hand, the valuer submits an objective and independent valuation that serves the wider public, a distant and unanimous entity that ultimately would benefit from such objectivity, but which by itself cannot express gratitude nor remunerates the delivery of good work. As such, judgement complexity in valuation may involve dealing with norms of conflicting authorities as elaborated before (i.e. involve normative aspects of professionalism; Van Ewijk, 2019). The recommendations provided hereafter may enhance professional development of valuation practitioners, by raising awareness

of normative aspects in judgement when dealing with diverse or conflicting needs of different stakeholders (Van Ewijk, 2019; Wassink and Bakker, 2013). In light of the above, the contemplated research may offer such opportunities by means of the following recommendations.

1. Emphasise the public interest duty of valuation professionals

During interviews with experienced valuation practitioners, the meaning of valuation work was a frequently discussed topic. Many participants describe the importance of professional values that guide valuation, such as quality and trust in their product. However, when discussing *whose* interest is being served by valuers, quite frequently direct beneficiaries as banks and real estate owners were mentioned. Relatively few respondents referred to an underlying public interest that is also served by the work of valuation professionals. Many respondents seemed to have a rather narrow, demarcated perception on the scope of their work, emphasising that direct beneficiaries require valuer's expertise in order to process real estate related activities as (finance) transactions or submission of annual accounts. As such, awareness of the range of valuation work and associated public interest generally seems to be limited. In an interconnected financial system, direct beneficiaries are not the (only) ones whose real estate interests may be related to valuation opinions, as indicated in chapters 1 and 2. A stable financial system benefits from trust in accurate valuation of property which serves to underwrite many financial securities and transactions. Raising such awareness is perceived as a prerequisite for developing a sense of public duty.

In order to facilitate any change in reasoning patterns, it is advocated that the public duty of valuers, i.e. the *professional* connotation in the concept of a business profession, should be more prominently emphasised in the Netherlands through both regulation and education. In professional standards, codes of conduct and practice guidelines, as published and monitored by Dutch register NRV, the work of valuers could and should be positioned more closely in line with the community's public duty. Besides emphasising the need for trustworthy and objective work, the nature of this public duty should be elaborated in Dutch standards to enhance its understanding and acknowledgement. Similar emphasis on the public duty could serve valuer education programs. Learning goals and program content should be positioned (more) explicitly in view of preparation for public duty in a commercial market setting. Greater emphasis on the societal impact of valuation is meant to reinforce awareness and understanding of the need for sound and trustworthy work with both practising and (aspirant) valuation professionals in the Netherlands.

2. Acknowledge psychology as a primary educational theme in valuation education

The notions of cognitive bias and heuristics (Tversky and Kahneman, 1972; 1974) are often used in behavioural economics and finance, in order to demonstrate that human judgement and decisions may be subject to 'bounded-rationality' behaviour (i.e. chapter 1). The use of

‘heuristics’ in decision-making refers to mental short-cuts that are used to deal with information-processing complexity and explain why individual cognitive effort may produce (sub-conscious) ‘errors’ in judgements. Both aspects seem essential in explaining judgement bias risks from a psychological viewpoint. Yet during interviews with practitioners any awareness of cognitive bias, or more generally awareness of judgement risks, was rarely expressed.

It is therefore argued that the discipline of psychology should be acknowledged as a primary subject in educational curricula, amidst of other key valuation themes as economics, construction, finance and law. Relevant cognitive/organisational psychological themes to valuers includes judgement and decision-making processes, cognitive bias, organisational psychology and social-environmental aspects of decision-making. Incorporation of such themes serves to increase general awareness on judgement and decision-making processes and enhance recognition of potential sources of bias. This is perceived as a prerequisite for stimulation of normative levels of professionalism i.e. the exploration of, reflection on and enhancement of personal insights into judgement and development styles as well as the reinforcement of judgement skills in situations of task complexity.

However, a risk in grounding of psychology in valuation curricula may be the lagging enthusiasm for behavioural research on international research agendas, as elaborated in chapter 3. There is some progress to be made in a field that is historically positivist orientated and in which rational choice theory seems a primary research perspective. Behavioural research initiatives may be financially stimulated at different levels by means of, for instance, thesis awards, scholarships, third party research sponsoring or the support of research programs at relevant higher educational institutions.

3. Advance professional-sceptical attitude development of practitioners

In relation to the previous point, the valuation community may benefit from taking a closer look at professional standards in auditing in order to improve valuer judgement autonomy in view of clients. Specifically, this concerns the relevance of the concept of ‘professional scepticism’ in relation to the practice of valuation. In auditing standard number 1015, professional scepticism is referred to as “an attitude that includes a questioning mind and a critical assessment of audit evidence. The auditor uses the knowledge, skill, and ability called for by the profession of public accounting to diligently perform, in good faith and with integrity, the gathering and objective evaluation of evidence” (PCAOB, 2017). As such, professional scepticism represents an essential part of autonomous judgement quality and hence of due care in auditing. Obviously, the specifics of the use of professional scepticism in valuation practice should match its professional duty requirements (for example, fraud matters are typically not part of valuation instructions). However, its use in valuation has been contemplated in chapter 6. In the particular study, part of the sample lacked criticism in client-sensitive verification effort.

As elucidated in this thesis, client orientation may relate to various aspects, such as client influence, interests or attachment. It is deemed important to increase awareness among current and future professionals that client orientation is not restricted to direct client contact, but seems interwoven throughout practice. As such, it may emerge during any task that involves client-related aspects. Therefore, effort put in the development of professional sceptical attitude, as well as relevant skill, will help in moderating subtle means of influence and will aim to uphold judgement autonomy throughout practice as advocated by the Expert-ideal role in valuation. Such development will require effort at various levels, including:

- Community level: acknowledgement of professional scepticism as part of professional due care in (Dutch) valuation standards;
- Organisational level: promotion of professional scepticism attitude development into (corporate) business cultures i.e. reinforcement of the classic professional logic, next to an (increasing) commercial logic, in the context of a business-professional setting;
- Individual practitioner level: attitudinal sceptical development and training.

Together, the combination of public duty sense, judgement and decision-making knowledge/expertise and professional (sceptical) attitude development is aimed at increasing awareness of associated client risks of a broad task perception among valuers and stimulate classic judgement autonomy in light of client influence.

In order to address persisting concerns of Dutch regulative authorities over valuation independence and quality risks in private market settings, development of associated normative levels of professionalism seems a necessity in my view. Failing to enhance such professional development would leave regulative authorities with two options in light of such risks. First, in relation to instrumental changes in the sector as referred to in chapter 1, regulators may consider enforcing additional emphasis on instrumental aspects of professionalisation. This may include further standardisation of valuation practice and procedural compliance that aims to ‘force’ valuers towards accountability of public duty. Alternatively, additional structural changes may be considered to reduce independency concerns in more rigid ways. This may include legislation, the enforcement of ‘Chinese walls’ within multiservice real estate firms, or other structural changes that attribute client influence in valuation service provision.²⁴

It should be pointed out however, that continuing instrumental focus may entail motivational risks for practitioners. As partly addressed in chapter 1, increasing emphasis on compliance and control may trigger fear over shrinking autonomy among professionals, which at some point may be perceived as being downgraded towards a level of technical execution of prescribed

24 Such structural changes are subject of investigation by AFM in the Dutch peer community of auditing (AFM, 2018).

procedures. A reduced autonomy may stimulate a “tick-the-box” mentality and a lower sense of job responsibility or work motivation (Freidson, 2001), implying risks for professional quality as well. Hence, instrumental focus and fostering of the Reporter ideal may at some point transcend beyond and subdue the Expert ideal. This implies a risk of overemphasis on the Reporter-ideal mission and strategy in daily practice that comes at the cost of research, substantiation and other Expert-related judgement aspects. As such, a prevailing instrumental emphasis on compliance seems *contrary* to authorities’ original objective, which was to improve reliability of valuation output following the 2008 crisis.

9.5 Research limitations and prospects

While this research project has been designed to provide practitioners and stakeholders with substantiated and validated insights, its results are subject to some limitations in terms of generalisation. First, this concerns a geographic limitation on obtained results. As explained in chapter 1, empirical research was directed towards Dutch commercial valuation practice, which is a deliberate choice in view of recent developments in the sector. The research design is aimed to reflect certain community features as illustrated in terms of experience, employment setting and full-time/part-time positioning. Hence, the results should be interpreted as reflective of the Dutch setting as well. This includes the constructs of local task environments in chapter 5 and the construction of ideal logics in chapter 7. Due to the idiosyncratic aspects of the population, results can therefore not be directly abstracted internationally.

Nonetheless, it is pointed out in chapter 2 that valuation qualifies in many Western countries as a semi-profession that struggles with professional-commercial dilemmas. Trends of globalisation and commercialism, such as fierce market competition, increasing marketability of services and a drive for efficiency, are likely to affect cross-border valuation sectors in comparable ways. In addition, throughout this PhD project emphasis was placed on international literature, in which client influence is recognised as a source for judgement bias in various international settings. Its effects on judgement bias were noted not only in Western markets but also elsewhere, as pointed out in the systematic literature review study set out in chapter 4. As such, it seems plausible that client orientation does affect judgement reasoning and associated client-related bias in other (Western) market settings as well. Its extent however shall depend on local community features, among other things. Further research is required to examine the manifestation of client orientation in other countries or markets.

Second, it should be pointed out that the current findings on valuer reasoning behaviour may suffer from (positive) economic sentiment that may hinder its validity in the Netherlands over time. It is noted that client orientation may be subject to change, for instance due to changing institutional-professional settings or a changing business environment. In times of favourable

economic conditions, such as during the course of this PhD project²⁵, views on the importance of client aspects may differ in comparison to less stable economic times or downfall periods. Real estate activity usually reduces when economic growth softens or pauses, which in turn may reduce the number of valuation requests issued by clients, or change the type of requests (i.e. more focus on revaluations in order to secure property values in annual accounts). In such an environment, uncertainty among valuers over future revenues may (temporarily) raise client authority and influence. Another restriction of results in terms of timing is related to the fact that the Dutch valuation register NRVt only became operational in 2016, which means that its authority may have had limited time to (fully) materialise. Hence, replication of similar research in other economic tides, or in due course following a longer period of habituation of practitioners to the status of NRVt as an authority, shall add to the robustness of results described in this thesis.

With regard to further research prospects, it is noted that this thesis touched upon various aspects of judgement reasoning using different autonomy-related themes that are originated in fields of cognitive psychology and socio-economics. As explained in chapter 1 (p.8), this thesis focused on the examination of judgement reasoning. Investigation of the actual decision-making process following such judgement has been beyond its scope. The manifestation of client orientation in actual behaviour is subject to a limited knowledge base as well. Hence, some of the concepts explored in the context of judgement reasoning in this research present interesting topics for examination of (actual) behaviour as well. This concerns the concepts of task complexity, client attachment and role orientation. The concept of task complexity, as set out in chapter 5, is partly related to cognitive effort. Examination of such may provide insights into cognitive efforts of judgement in valuation, for instance by means of process tracing protocols (Black et al., 2003). Client attachment, discussed in chapter 6, has an emotional connotation that may affect final choice as well. Examination of its manifestation in decision-making should contribute to an understanding of emotion-related client risks for valuation accuracy. The research on role orientation in chapter 8 pointed out that role behaviour is not only a matter of stakeholder-related pressure, but is also subject to role identity and motivation. Role identity research relates individual behaviour to self-concepts (Neale and Griffin, 2006), while motivation may relate to various intrinsic and extrinsic aspects in professional service firm settings (Bonner, 2008). Future research should point out how professional behaviour may relate to such aspects of identity and motivation. Thorough behavioural examination may however require the involvement of scholars with in-depth behavioural research expertise or a background in relevant disciplines as psychology or sociology.

25 The Dutch economy witnessed economic growth for six consecutive years between 2014 and 2019 (CBS, 2020).

Furthermore, the concepts of role orientation may be considered of relevance to recent developments in the residential real estate practice in the Netherlands. A recent study by De Nederlandsche Bank suggests the occurrence of anchoring and optimistic value assessments, i.e. that residential value opinions seem to be in line with or exceed transaction prices (DNB, 2017). Role behaviour research may identify the occurrence of price validating behaviour in this regard, i.e. the extent to which the Service Provider role dominates other roles among residential real estate valuers in the Netherlands.

In view of future directions of valuation practice, examination of effects of technological development on judgement autonomy may appear on research agendas as well. In a world where information, such as market intelligence, is increasingly freely available, greater use of technology is being stimulated. In view of the automated valuation models introduced in residential valuation, some argue the commercial sector will be next to witness large parts of human valuation work to be overtaken or replaced by artificial intelligence (AI) systems and machine-based learning (GeoPhy, 2019). While that prospect may pose a threat to the autonomy of commercial valuation professionals, it may also provide an opportunity in view of client orientation. The use of such cognitive computer-based capacity may also be viewed as a supporting tool to professional judgement quality and hence stimulate independence from clients. Furthermore, the use of AI may help to improve efficiency in task execution, which would free up time and effort that can be attributed to other cognitive aspects of work, such as substantiation of value assessment and (peer) reflection on judgement quality. Further research should examine the effects of AI support on professional judgement autonomy of valuers.

Regardless of technological developments, there is considerable scope for behavioural research in the field of real estate valuation. By means of this thesis, I trust to have provided some viewpoints that may stimulate further behavioural research in different aspects of commercial real estate valuation practice.

A



Appendices

Summary

Samenvatting

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Curriculum Vitae

Summary

Chapter 1 – General introduction

This thesis provides an examination of judgement autonomy of Dutch commercial real estate valuers in relation to client orientation. The valuation of commercial real estate such as offices or retail properties requires in-depth analysis due to its uniqueness by location, building type and usage details. Essentially, a register-valuer is qualified and instructed to assess a property value to one's best cognitive effort and inform others of this outcome by means of a valuation report.

In the Netherlands, concerns over independence risks and client-related judgement risks of valuers have been raised by regulative authorities as the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). A significant part of these concerns followed the 2008 financial crisis, which appeared to be at least partially driven by unreliable and incomparable valuations of Dutch commercial real estate (AFM, 2014; DNB, 2012; 2015). Among other things, these concerns led to the instigation of the Nederlands Register Vastgoed Taxateurs (NRVT) in 2015. NRVT is a new Dutch central register of valuation practitioners set up in order to improve self-regulation, quality control and compliance of valuation practitioners. Currently, the chamber for commercial real estate valuation holds about 2,000 commercial valuation registrations (NRVT, 2020).

The introduction of NRVT, and other measures taken, reflect an instrumental view towards enhancing professionalism of Dutch valuers. This view is based on a systematic orientation to professional conduct in which good practice is primarily objectively determined (Van Ewijk, 2019). However, Wassink and Bakker (2016) point out that individuals make personal choices in order to deal with work complexity. Insight into and reflection on individual choices is part of what is referred to as normative aspects of professionalisation: what norms prevail in individual judgement and decision-making and why (Van Ewijk, 2019). In this regard, insight into judgement reasoning of valuation practitioners may contribute to normative levels of professional development of valuers. The need for such is expressed through community concerns over how individual judgement autonomy may become subdued due to instrumental-driven developments taking place in the sector.

The combination of authoritative concerns over professional quality in the Netherlands and lack of (scientific) insight on how client influence affects judgement in valuation practice poses a problem: How may practitioners address client-related judgement bias risks and improve valuation accuracy from this viewpoint, if little is known on how such risks may occur in daily practice? The seemingly scarce scientific insights available in this regard in the Netherlands may also prevent educational programs to adequately address valuer independence and objectivity risks in relevant training programs. In order to address this knowledge gap, the present PhD research examines the following research problem:

“How does client orientation affect professional judgement autonomy of commercial real estate valuers in the Netherlands?”

The term ‘client orientation’ should be broadly interpreted and may refer to valuers’ perception, understanding and meaning given to alleged, actual or anticipated client-related aspects. Information on such client aspects is not required for the performance of valuation instructions. It should also be noted that this research examines the context of how client orientation may affect valuer judgement reasoning patterns during work practice, yet not its effect in terms of decision on final value opinion.

Chapter 2 – Professional views on valuation practice

This chapter describes the practice of commercial real estate valuation from two different viewpoints and examines their impact on individual professional’s judgement autonomy.

A classic-professional view on valuation

Property underpins a major proportion of financial decisions in mature economies. A failure to ensure the proper valuation of real estate assets will bear financial exposure risks to a wide range of stakeholders (Newell et al., 2010). Regulators at national and international level have aimed to reinforce public confidence in valuation accuracy in several ways. Hence, valuation is argued to serve a public interest. Other aspects of classic professions, such as authority through knowledge and service ideal seem to remain subdued in valuation. On authority, it is pointed out while valuers offer a specialised knowledge base for service to society, the scientific basis of valuation is considered relatively small (Mills, 2007). This is supplemented by concerns over a reduction of valuer’s authority on account of technical development such as artificial intelligence. On the notion of a service ideal, it can be noted that, generally speaking, property valuation shall not serve a humanitarian purpose, yet is perceived to serve (economic-induced) wellbeing of society. Overall, in many Western countries valuation may be best typified as a semi-or quasi-profession.

A commercial view on valuation

Towards the end of the 20th century, globalisation and digitalisation led to more competition in businesses as well as professions (Greenwood and Lachman, 1996; Crompton, 1990). In view of this changing landscape, Hanlon (1998) points to a competing notion to challenge the classic social service ethic of professions, which he coins ‘commercial’ professionalism. The aforementioned trends provided business opportunities to various sectors of the labour market, especially professional service firms (PSFs) such as auditing, law or property valuation. The advice of such PSF sectors enable their clients to operate more efficiently, i.e. more profitably in competitive and globalised market settings. Hence the PSF sector expanded rapidly since the 1980s, of which accounting firms seem exemplary in recent decades (Spence and Carter, 2014).

Impact of commercialism on professional's judgement autonomy

In order to deal with increasing client power and competition, which significantly increased between and within PSF sectors as well, changes have been observed in the underlying logic of action of professional service firms (Lengnick-Hall, 1996). The technical-professional logic, which is understood primarily in terms of adherence to codes of conduct, independence and public service ethic, is increasingly being challenged by a commercial-orientated professional logic focusing on revenue generation, winning and retaining clients and business development (Gendron, 2002). This gradual commercialisation took place in many PSF sectors and led to an extension of the concept of client orientation, to a level that transcends a desire to serve and advice clients in need of expertise. The ability to retain client relationships and secure future instructions in competitive market settings emerged as a core theme of professionalism in PSF sectors. As such, the professional-client relation underwent changes. This in turn increasingly affected autonomy of professionals towards reasoning, from a traditional focus on judgement quality and task performance in relation to client needs, towards including client standards on good practice (Hanlon, 1998). The client itself has become an authority or stakeholder that may decide on renewal of the delivered service. In view of these developments, this PhD research examines effects of client orientation on professional judgement autonomy in the case of Dutch valuation practitioners.

Chapter 3 – Research orientation

At the start of this PhD research, the project was envisaged to consist of several individual studies that addressed relevant aspects of autonomy in view of client orientation. As discussed in chapter 2, there appears to be several analogies between the fields of auditing and valuation. Moreover, the predominantly positivist orientated field of valuation as elaborated in chapter 3 seems to provide limited theories that guide this research. Hence, relevant theories on judgement-based research in the field of auditing have been used as conceptual input for the examination of judgement reasoning in valuation. In total this thesis includes five studies, that have been undertaken consecutively, so that outcomes of one study could provide relevant input into subsequent areas of research. As such, this PhD research reflects an emergent research design. Each study is outlined in a paper that was submitted for peer review in acknowledged international real estate journals.

Table 29 Research overview

Research design: Insight into how client orientation may affect valuer's judgement reasoning through examination of different aspects of professional autonomy					
	Study 1	Study 2	Study 3	Study 4	Study 5
Theory	Judgement bias studies	Task complexity	Professional scepticism	Ideal typologies	Role orientation
Method	State of the art through a systematic review	Theory building using a grounding theory approach	Theory testing through a case-based survey	Theory building through grounded theory approach	Theory testing using a questionnaire survey
Period	2016	2017	2018	2019	2020
Study aim	Robustness of / consistency in judgement bias literature	Task complexity aspects in view of task environment	Professional scepticism in relation to work setting	Identification of ideal-type valuers in view of stakeholders	Role orientation versus work setting

During the course of this project, two research perspectives have materialised. The first perspective is a task perspective, which studies how client orientation may emerge in judgement reasoning in daily practice. The concepts of task complexity (study 2) and professional scepticism (study 3) may be perceived as relevant parts of a task perspective imposed on client orientation. The notions of institutional logics (study 4) and role orientation (study 5) can be regarded as illustrative of a role perspective to client orientation, in order to examine how valuers perceive their position as a professional vis-à-vis clients and other stakeholders. By using both perspectives, this research examines client orientation at different levels, and hence sheds light on its magnitude in relation to judgement reasoning.

Methodology

In relation to the research aim, a combination of grounded theory and survey methodology was contemplated. Grounded theory methodology is used to examine human experience and conceptualise the work setting of Dutch valuers (De Lange et al., 2016). Furthermore, grounded theory is suitable when existing relevant theories seem lacking. In addition, survey methodology has been used to generalise findings and contribute to a wider acceptance of its results and recommendations. In addition, quantitative methods allow for revealing patterns in behaviour, through statistical analysis, of which respondents may be unaware. In the context of this PhD project, the combination of grounded theory and survey methodology may stimulate inductive and deductive knowledge production in a field that lacks adequate insights in the subject matter.

Chapter 4 – Research bias in judgement bias studies - a systematic review of valuation judgement literature

This paper seeks to explore the current scientific knowledge base on judgement bias evidence, i.e. known effects of client influence on valuer's judgement and decision autonomy. This search is established by means of a systematic review of empirical research in English language scientific journals on a global basis over a 30-year period between 1985-2015. A systematic review is a high-level overview of primary research on a particular research issue, in order to synthesise all research evidence deemed relevant (Petticrew and Roberts, 2006). We examined both the evidence on judgement bias in valuation practice and relevant research conditions, such as research methodology, context and robustness of results.

Collection of relevant papers started with the examination of theoretical papers on real estate (valuation) behaviour research as provided by DeLisle (1985), Diaz (1999), Diaz and Hansz (2007) and Wyman et al. (2011). The search was complemented by snowball sampling through author citation, journal index search and an open access database search using Web of Science and Google Scholar. The above search methodology resulted in an initial database of 75 papers on valuation behaviour, which was subsequently narrowed down to a final database of 32 papers that empirically studied valuer judgement. The database is divided into 17 studies that study intrapersonal judgement (i.e. information processing effort) and 15 studies that examine interpersonal judgement in relation to client influence.

The dataset review led us to the following findings and conclusions. On research methodology, we note that practically all value judgement behaviour studies included in our database have been conducted by means of experimental design, survey questionnaires or a combination of both. Much of the intrapersonal judgement studies included are conducted by means of an experimental design. In interpersonal studies, we have come across similar experimental designs, as well as survey questionnaires, which are mostly used to collect self-perceptions of behaviour when confronted with client influence. With regard to research context, we have pointed out that field data of at least 21 studies in our review is gathered in a relatively short timeframe between 1995-2005. Furthermore, field data of 18 studies are (fully or partly) US originated. In addition, two-thirds of interpersonal judgement research used a mixed sample of general practice valuers in field studies, rather than sampling a homogeneous set of either residential or commercial valuers (in appreciation of work context differences between the two subsectors). On research robustness, our review indicates some consistency in the evidence on valuer judgement bias. A little over half of all studies provide significant proof of judgement bias within real estate valuation, especially with regard to intrapersonal bias. On interpersonal judgement bias, the somewhat fragmented evidence indicates that commercial valuers may be vulnerable to client pressure in various forms, but additionally such influence may instigate deeper motivational issues with regard to self-perception (i.e. price validation behaviour).

Based on the above analysis, we find the literature to be relatively biased by both methodology and research settings. In our view, this represents an important reason why the available knowledge on valuer judgement behaviour is still rather unsubstantiated despite 30 years of research. We would plea for an interpretative research perspective to be adopted in future studies. Accessing a professional's (sub)conscious knowledge on decision-making processes in close dialogue would arguably lead to increased research construct validity and would help in creating a better understanding of valuer judgement behaviour.

Chapter 5 – Complexity in valuation practice: an inquiry into valuers' perceptions of task complexity in the Dutch real estate market

This paper examines the task environment of commercial valuers, which is rich of stimuli that provide numerous challenges to valuers during valuation practice (e.g. Levy and Schuck, 2005; Bretten and Wyatt, 2001). However, a (comprehensive) overview of relevant stimuli and how they affect valuer reasoning behaviour seems absent. We aim to explore how individual valuers carry out their valuation processes in order to disclose elements of task complexity in valuation and find out how valuers use their autonomy to deal with such matters.

Task complexity seems to lack a universally-accepted definition despite wide research attention (Liu and Li, 2012). As cognitive effort is not directly tangible and observable, many definitions on task complexity focus on task components or classification schemes of contributing factors to task complexity (Bonner, 1994). Historically, a distinction is made between 'objective' task complexity (i.e. complexity as a function of task features) and 'subjective' or perceived complexity in relation to task performer features as knowledge and experience (Liu and Li, 2012). Järvelin (1995) argued that perceived tasks (rather than prescribed tasks) are fundamental to task complexity, as uncertainty over perceived tasks form the basis for interpretation of information needs and actions. Funke (2010) denotes the concept of 'situational' complexity, where the complexity of a task can relate in a narrow sense to task components, yet in a broad sense may involve dealing with elements of the wider task environment.

In order to explore task complexity in Dutch valuation practice, we adopted a grounded theory approach using in-depth interviews (Corbin and Strauss, 1990). By performing a constant comparison of new interview data with previously obtained information, interview questions were amended or added. Interviews continued until all interview data fit into patterns that emerged from previous data, indicating theoretical saturation. This resulted in a sampling base of 18 senior real estate commercial valuers with an average age of 49, an average working experience of twenty years and a diversified organisational and geographical background. Strict data coding procedures were applied using open, axial and selective coding principles (Corbin and Strauss, 2008).

Our findings indicate the existence of situational task complexity in commercial valuation, as valuers need to put cognitive effort in aligning various task components with environmental factors in six complex task modules throughout valuation practice. Input stage complexity is generally related to (non-expert) client management issues to ensure an appropriate valuation start, while process stage complexity requires analytical effort to assess (ambiguous) market information and comparable evidence. Output stage complexity corresponds to dense client discussions and (last-minute) report modification choices and so requires both analytical and communicative cognitive effort from valuers. In addition, we found that the task environment is a key variable in explaining judgement divergence between types of valuers. Constructs of these task environments essentially represent elements of client standards, market competition and the valuation organisation. As such, we found that client norms and interests represent an important environmental feature in the Netherlands that may affect valuers' judgement autonomy in dealing with task complexity in valuation practice.

Although environmental settings and task complexity strategies may coincide to an important extent, it does not explain why behavioural patterns may also differ *within* types of valuers. This indicates the need for examination of other factors besides the task environment that may influence value judgements or trigger bias-related behaviour. Most notably we point to idiosyncratic elements, such as motivation, cognitive and communicative abilities.

Chapter 6 – How client attachment affects information verification in commercial valuation practice

This paper examines the relationship between professional scepticism in information verification and professional work experience and job position. Professional standards require real estate valuers to produce accurate valuations and undertake reasonable steps to judge reliability of processed information (RICS, 2017a; TEGoVA, 2016). However, the accuracy of valuation reports is debated over perceived influence of clients impacting valuer's autonomy (Levy and Schuck, 2005). The element of professionalism in information verification characterises the propensity of an individual to defer concluding until the evidence provides sufficient support, while disregarding irrelevant information such as client interests (Hurt, 2010). In auditing, a call for 'professional scepticism' regarding evidential input was introduced in 1988 in standards in response to client attachment-sourced audit failures. Professional scepticism has since been regarded as a key component of judgement autonomy and professional due care in auditing (Nelson, 2009). Its concept seems relevant in valuation practice as well given comparable client-related challenges in both sectors.

The Dutch valuation industry is organised relatively fragmented, with about 2,000 commercial real estate valuers presently working in approximately 1,400 organisations (NRVT, 2018). Consequently, relatively many valuers hold a senior or partner position within their respective

firms. Furthermore, Dutch real estate professionals are allowed to combine valuation and brokering activities in professional practice. For hypothesis testing, we postulate that valuation professionals who reached partner level maintain longstanding client relationships and enjoy high autonomy in judgement and decision-making. Hence, for research hypothesis 1, we expect valuers who hold a partner position within their organisation to obtain lower scores on information verification than less senior valuers. Furthermore, we propose that the provision of valuation in combination with brokerage services creates client attachment through both economic incentives and interwoven client relationships. For research hypothesis 2, we therefore expect brokerage experience to show negative correlation with information verification.

In order to test our hypotheses, we have set up a questionnaire that contains three information verification cases. Each case deals with evidential input that is regarded as client-sensitive. To acknowledge potential client attachment issues in information verification, we refer to Johnstone et al.'s (2001) typology of independency risk. Their typology is used to exhibit varying information verification strategies with regard to client-related information. In total, we retrieved a sample of 290 useable responses, resulting in an overall 14.5% response rate on the questionnaire.

Our research generates the following conclusions. Brokerage experience tends to correlate negatively with information verification, implying that valuers with high levels of brokerage experience score relatively low on information verification. As such, brokerage experience provides an indication of client attachment in such a way that it may (subconsciously) compromise judgement autonomy. Likewise, valuers acting at (co-)owner level within their organisations score lower on information verification in comparison to valuers with similar experience who operate on a lower management levels. Effects of both brokering experience and job level differences appear significant. Self-assessed scores on sceptical features indicate however that sceptical thinking with regard to information verification seems well developed at executive levels, yet may be oppressed by client orientation in relation to commercial interests of the organisation.

With client attachment arguably emerging predominantly at sub-conscious levels, valuation professionals are in need of enhancing aspects of professional scepticism and improve judgement and decision making skills in order to subdue client-related judgement bias risks.

Chapter 7 – The ideal type of valuer: Expert, Service Provider or Reporter?

This study investigates how valuation practitioners position themselves vis-à-vis clients and public interests. Valuation can be characterised as a profession, or a monopolised community that trains and monitors its members to use their autonomy to uphold professional values of objectivity and integrity in work (Lawson, 2004). Yet in day-to-day practice, real estate valuers often experience different kinds of interests when working for commercial clients. The ability to autonomously perform work without undue influence potentially contradicts with retaining

clients who have strong opinions on what they may consider as ‘appropriate’ output (Spence and Carter, 2014). For the purpose of this study, an institutional logics perspective is adopted, in order to analyse governing logics in Dutch valuation practice (Thornton and Ocasio, 2008).

In PSF literature, as well as elsewhere, institutional logics theory has gained research interest in order to study how organisational and individual PSF behaviour is affected by increasing commercialisation of their services in recent decades (Dezalay, 1995; Crompton, 1990). The concept of institutional logics stems from institutional theory. At micro level, institutional logics (IL) are defined as socially constructed patterns of values, beliefs and rules by which individuals provide meaning to their social reality (Ocasio et al., 2017). Today, IL literature places great emphasis on the competing nature of logics, as has been illustrated in a wide range of fields. Two common types of logics often referred to are the traditional professional logic, as depicted in professional standards, and an upcoming commercially-orientated logic in view of increasing client authority and competitive market settings.

An established analytical representation of logics-driven behaviour is through ideal types (Thornton et al., 2012). Ideal types represent a construction, or model, of apparent societal logics in a particular area of study. For this study, a grounded theory approach was adopted using semi-structured interviews to uncover practitioner’s views on and interpretations of professional behaviour. Analytical coding schemes are used to guide the interpretation process by which data are analysed in order to generate concepts (Charmaz, 2008). In total, 20 interviews were held in 2019 with a balanced group of participants in terms of experience, practice scope and business area.

Interview data were used to construct and contrast a typology of three ideals that seem to be present in Dutch valuation practice. Each ideal type reflects an institutional logic that guides preferred professional behaviour from a different stakeholder’s viewpoint. First, the technical-professional logic as depicted by the ‘Expert-ideal’ represents the classic professional standards of autonomy, independence and self-regulation, in order to secure technical quality of work. As such, authority is with the practitioner, being a representative of a professional association. Secondly, a commercial-professional logic seems present that promotes authority of the client, who has power to hire and fire in light of market competition. Optimal client service provision (i.e. the ‘Service Provider’ ideal is essential in a competitive market setting. Thirdly, a bureaucratic logic stimulates a risk management mission among practitioners (i.e. the ‘Reporter’ ideal) in order to prevent regulatory charges. As such, authority is claimed by industry supervisors.

Overall, it appears that a valuer can be typified as a hybrid professional that uses his (her) judgement autonomy to incorporate different logics into daily practice, and hence serve the authority of different stakeholders. The potential impact of both commercial and bureaucratic

logics on valuation quality should raise authoritative and educational concerns over judgement bias effects in our view. Such concerns relate to the potentially contradictive impact on the quality of valuation expertise of either (further) regulation and compliance or client pressure in the face of constrictive lead times. Meeting the standards of the Service Provider or Reporter ideals may affect classic professional judgement norms as propagated by the Expert ideal, such as research and substantiation of input evidence.

Chapter 8 – Role orientation of Dutch valuation practitioners: balanced or biased?

This paper explores how role orientations of commercial valuation practitioners in the Netherlands may relate to relevant stakeholder pressures. Much of the literature on valuation behaviour has dealt with the impact of client influence on valuer's independence. This may be considered as a reflection of concerns over alleged role conflicts. Evidence of price validating roles in light of client pressure (rather than independent value assessment) has been provided by Wolverton and Gallimore (1999); Amidu et al. (2008); and Smolen and Hambleton (1997). However, to the best knowledge of the authors, detailed insight into role orientations of valuation practitioners seems absent in the valuation literature. As such, this study on role orientation aims to explore how professional judgement autonomy may be directed towards the needs of relevant stakeholders. For this purpose, we used a questionnaire survey to measure self-perceptive role orientations of Dutch commercial real estate valuation professionals.

In organisational settings, the concept of role orientation refers to how individuals define their role in a specific work setting, that is, their interpretation of a set of behavioural expectations attached to a structural position in an organised set of social relationships (Sluss et al., 2011). In professional service firms, various professional and organisational features and contextual antecedents yield pressure on individual practitioners (Gendron, 2009; Hall et al., 2005; Parker et al., 1997). Evidence on conflicting public-private role orientation and behaviour is amongst others, provided in law (Faulconbridge and Muzio, 2008); auditing (Lander et al., 2013); architecture (Thornton et al., 2005); and controlling (Maas and Matějka, 2009). Our hypotheses focus on three professional-organisational features deemed relevant in view of role orientation in the context of Dutch commercial practice: work experience, valuation specialisation and organisational setting. On experience, we argue that senior valuers who have become used to a certain level of autonomy in work and who have successfully performed valuation activities in the pre-compliance era, will put lower focus on procedural quality than valuers with less work experience. In terms of specialisation, we argue that valuers who combine valuation and agency activities in daily practice are assumed to have developed a relatively strong emphasis on service provision aspects due to their agency background. Finally, valuers operating in (international) real estate service firms will put more emphasis on service provision aspects in view of fierce market competition than do valuers employed otherwise.

The survey on role orientation addresses self-perceptive priorities in valuation work by means of a Likert scale-based questionnaire. In order to enhance construct validity, we draw from two recent sets of interviews with experienced members of the target population (Klamer et al., 2018; Klamer et al., 2020). In total we retrieved 151 useable responses for analytical purposes, representing a 17% response rate.

Our findings point out that valuers balance their time and effort between the distinguished role orientations of Expert, Service Provider and Reporter (with the Expert ideal appearing as most prominent). However, some biases from this survey mode have been observed that may affect the Expert's role autonomy. The Reporter role seems to gain importance with rising experience in comparison to the sample, a reflection of the prioritisation of procedural compliance with seniority in valuation. Furthermore, we find that full-time valuers and valuers employed in large corporate settings seem to put significantly more emphasis on service provision aspects compared to part-time valuers or valuers employed in smaller firms. These findings can however only be interpreted in view of the (specific) Dutch valuation context as is reflected in our hypotheses. Its merits are therefore predominantly related to the applied perspective of role orientation on behavioural bias and originality of its measurement construct, which provide a means for further exploration of role orientations of valuation practitioners in other valuation settings.

Chapter 9 – Research conclusions, discussion and recommendations

Summary and conclusions

This PhD research project started in 2016 in order to address the perceived lack of sustainable knowledge on the manifestation of client orientation in Dutch valuation practice. Insight into how and why client orientation may affect judgement reasoning is deemed required to stimulate awareness of judgement patterns of practitioners and advance normative aspects of professional development, both in practice and in education. The research problem of this PhD project has been stated as follows:

“How does client orientation affect professional judgement autonomy of commercial real estate valuers in the Netherlands?”

The research plan set up to answer this problem consists of a literature review and empirical research. In conclusion of the research results, client orientation seems to be originated in Dutch valuation practice through a perception of ‘the client base’ as a type of authority. The status of this authority is comparable to those of professional valuation associations or regulative authorities, i.e. one that governs activity of Dutch valuers. The authority of clients is evidenced through the ideal role of the Service Provider that practitioners deem important to fulfil. This

role is featured by a distinctive logic of action that may influence a valuer's mission (i.e. emphasis on retention of close client relations) and strategy (i.e. efficiency and a client attentive attitude).

In daily practice, client authority is illustrated through the relatively broad task orientation of valuers, who seem to be receptive and responsive to environmental cues that may relate to clients during work. This cue alertness can be explained as a means through which client orientation may hinder (classic) judgement autonomy in a business-professional setting. The results of this research indicated how (certain types of) valuers may be vulnerable to client influence or interests and associated bias risks in task execution. It seems as though respondents, as representatives of the Dutch valuation community, regard the presence and power of clients as 'common practice' in daily work, which is why stimulating awareness of associated judgement autonomy risks in relation to clients is a key aspect of practice recommendations.

Discussion and implications

The results can be placed within the context of Dutch valuation practice as elaborated in chapter 2. In this chapter, it was elaborated that the (Dutch) valuation community can be regarded as a (semi-) profession and as a business that is primarily concerned with self-interest. The results of this research point out that Dutch valuation is best perceived and described as a commercial or *business profession* (i.e. Hanlon, 1998) rather than a semi-profession. A business profession is featured by a mixture of both classic professional community attributes, reflecting a public interest and self-regulation, as well as essential business aspects that centre on commercial interests, competition and economic survival. As such, business professions seem to be guided by (at least) two distinctive logics of action, i.e. classic professionalism and commercial professionalism. The present study of valuation practice illustrates that both logics seem to govern valuer activity and both are interwoven in valuation content and in process choices. This perception on valuer's social reality seems to have instigated the emergence of a hybrid valuation professional in the Netherlands, who uses his (her) professional autonomy to judge and weigh the interests of different stakeholders representing different logics. In this regard, the subject thesis has indicated how Expert-related activities such as research, analysis and substantiation of value assessments may be downgraded in priority once valuers emphasise governing logics associated with either the Service Provider ideal or Reporter ideal in valuation, due to tight timeframes in practice among other things.

Practice recommendations

The outcomes of this research may be used to reinforce judgement quality and awareness of associated risks in the following ways:

- Emphasise the public duty of Dutch valuation professionals. It is argued that the public nature of valuation duty should be outlined more prominently in the Netherlands through both regulation and education. This implies professional standards, codes of conduct as well as (educational/practice) guidelines;
- Acknowledge the field of psychology as a key theme in valuation education. Such acknowledgement serves to increase awareness on judgement and decision-making processes. This theoretical base should serve to stimulate development of normative professional aspects, i.e. exploration of and reflection on individual judgement reasoning patterns in situations of task complexity;
- Advance the attitudinal development of 'professional scepticism' aspects among valuers. Client orientation is not restricted to direct client contact, but seems interwoven throughout practice. Therefore, effort in the development of professional scepticism vis-à-vis clients, in both sceptical attitude and skill, will reinforce judgement autonomy as advocated in the Expert-ideal role in valuation.

The combination of public duty sense, judgement and decision-making expertise and professional sceptical attitude development is aimed at explicating and reinforcing the norms of preferred professional conduct in daily practice of a business profession. The implications of such conduct for actual behaviour - rather than judgement reasoning - is subject of future research however.

Samenvatting

Hoofdstuk 1 – Inleiding

Dit proefschrift beschrijft de resultaten van een onderzoek naar de relatie tussen klantgerichtheid en autonomie in oordeelsvorming van Nederlandse zakelijk vastgoedtaxateurs. Met zakelijk vastgoed wordt onroerend goed bedoeld dat een zakelijk doeleinde dient, zoals bedrijfsvoering of belegging. De taxatie van een kantoorgebouw of winkel vereist analyse en oordeelsvorming van de taxateur, vanwege gebrek aan onderlinge uniciteit in gebouwlocatie, type en/of gebruik, alsmede gebrek aan transparantie in prijsvorming in de markt. Een registertaxateur is bevoegd om de waarde van vastgoed zo zuiver mogelijk vast te stellen en de opdrachtgever²⁶ en anderen in kennis te stellen van de uitkomst hiervan door middel van een taxatierapport.

In de afgelopen decennia hebben Nederlandse toezichthouders als De Nederlandsche Bank (DNB) en Autoriteit Financiële Markten (AFM) meermalen hun zorgen geuit over onafhankelijkheid van taxateurs en kwaliteitsrisico's in de taxaties van zakelijk vastgoed. Een groot deel van deze zorgen zijn voortgekomen uit de financiële/bancaire crisis waarin Nederland in 2008 terecht kwam. Onvoldoende vertrouwen in de kwaliteit en inzichtelijkheid van (zakelijk) vastgoed heeft een belangrijke rol heeft gespeeld in de omvang van de crisis (AFM 2014; DNB, 2012; 2015). Dit heeft onder meer geleid tot de oprichting van het Nederlands Register Vastgoed Taxateurs (NRVT) in 2015, een centraal register specifiek voor vastgoedtaxateurs, bedoeld om zelfregulering, kwaliteitscontrole en nakoming van regelgeving (compliance) binnen de beroepsgroep te verbeteren. Momenteel zijn circa 2.000 taxateurs bevoegd om zakelijk vastgoed te taxeren, op een totaal van 7.000 inschrijvingen in het NRVT register (NRVT, 2016; 2020).

De introductie van NRVT en andere maatregelen geven blijk van een 'instrumentele' visie op het verbeteren van de professionaliteit van Nederlandse taxateurs. Hiermee wordt bedoeld dat tot op zekere hoogte objectief en systematisch wordt omschreven wat goed werk inhoudt voor een bepaalde doelgroep, zoals in dit geval taxateurs. Conformerend van individuele beroepsbeoefenaars aan de 'goede' handelswijze wordt via toepassing van instrumenten zoals praktijkhandleidingen als het ware opgelegd aan de doelgroep (Van Ewijk, 2019). Wassink en Bakker (2016) betogen echter dat het werk van professionals altijd een bepaalde mate van subjectiviteit met zich meebrengt, om telkens weer een keuze voor goed werk te kunnen maken gebaseerd op persoonlijke kennis, oordeelsvorming en overtuigingen. Inzicht in en reflectie op dergelijke individuele keuzes en besluitvorming wordt geduid als 'normatieve' aspecten van professionalisering (Bakker, 2016; Van Ewijk, 2019). In navolging van de diverse instrumentele maatregelen die geïntroduceerd zijn in de taxatiesector sinds 2012 zijn door prominente leden uit de beroepsgroep zorgen geuit over de tanende professionele ruimte van taxateurs die hierdoor

26 De termen klant en opdrachtgever worden hier door elkaar gebruikt.

in het gedrang komt (PropertyNL, 2014). De behoefte aan professionele ruimte duiden op het belang van aandacht voor normatieve aspecten van professionalisering binnen de beroepsgroep van (zakelijk) vastgoedtaxateurs.

De taxatiewetenschap bevat een relatief beperkte basis van gedragswetenschappelijk onderzoek. De combinatie van kwaliteitszorgen bij toezichthouders en een geconstateerd gebrek aan (wetenschappelijk) inzicht in de mate van taxateursbeïnvloeding door opdrachtgevers impliceert een kennisprobleem: hoe kan de taxateur de genoemde zorgen reduceren en werken aan normatieve professionalisering als relatief weinig bekend is over hoe de wijze waarop klantgerelateerde risico's zich manifesteren in de oordeelsvorming in de praktijk? Daarnaast weerhoudt de beperkte kennisbasis op dit gebied taxatieopleidingen ervan om (aankomend) taxateurs effectief voor te bereiden op onafhankelijkheidsrisico's in de praktijk. Dit proefschrift heeft als doel te voorzien in dit kennishiaat door middel van de volgende probleemstelling:

'Hoe beïnvloedt klantgerichtheid de professioneel-autonome oordeelsvorming van zakelijk vastgoedtaxateurs in Nederland?'

De term klantgerichtheid dient in dit verband breed geïnterpreteerd te worden. Het betreft de gerichtheid op de klant als opdrachtgever waarbinnen klantwensen, belangen of verwachtingen tot uiting kunnen komen in de perceptie van de taxateur. Tevens wordt in dit verband opgemerkt dat dit onderzoek zich centreert op de effecten van klantgerichtheid op de autonome oordeelsvorming. Hiermee wordt bedoeld een redeneertrant in oordeelsvorming in lijn met de professionele taxatiestandaarden die onafhankelijkheid van de klant voorschrijven. Daadwerkelijke keuzes (d.w.z. het uiteindelijke besluit over het definitieve taxatiewaarde) kan beïnvloed worden door diverse andere aspecten die hier buiten beschouwing blijven.

Hoofdstuk 2 – Professionele oriëntatie op de taxatiepraktijk

Het werk van taxateurs kan vanuit twee invalshoeken belicht worden: een klassiek-professionele invalshoek en een commerciële invalshoek. Beiden worden in dit hoofdstuk beschreven.

Klassiek-professionele oriëntatie op taxeren

Vastgoed is een belangrijke variabele in de marktwerking in een volwassen Westerse markteconomie. Twijfels over de kwaliteit van oordeelsvorming van taxateurs kan grote financiële gevolgen hebben voor diverse (direct en indirect) gelieerde belanghebbenden (Newell e.a., 2010). Historisch gezien hebben toezichthouders in diverse markteconomieën het als hun taak gezien om publiek vertrouwen in de kwaliteit van taxaties te waarborgen. Daarmee kan worden betoogd dat het werk van taxateurs een publiek-professioneel belang dient, waarin de kwaliteit van betrouwbare oordeelsvorming centraal staat. Echter, de klassieke professies waaronder recht en geneeskunde vertonen ook andere elementaire kenmerken die

hen onderscheiden, zoals autoriteit op basis van expertise en een morele beroepscode waarin een humanitaire waarde als kerndoel centraal staat (Lawson, 2004). Ten aanzien van expertise is beargumenteerd dat taxeren een relatief smalle theoretische kennisbasis kent (Mills, 2007). Tevens lijken technologische ontwikkelingen zoals kunstmatige intelligente te tornen aan de autoriteit van diverse beroepsgroepen waaronder taxateurs. Daarnaast ontbeert taxeren een humanitaire beroepsmissie. Wel is beargumenteerd dat het werk van de taxateur het economisch welzijn, en daarmee het algehele welzijn, van individuen binnen een maatschappij kan beïnvloeden. In algemene zin kan worden gesteld dat taxateurs een (semi-) professionele beroepsgroep vertegenwoordigen (Lawson, 2004).

Commerciële oriëntatie op taxeren

Tegen het einde van de 20^e eeuw hebben trends als globalisering en digitalisering een grote vlucht genomen. De trendmatige beweging naar toenemende concurrentie en onzekerheid in diverse sectoren zorgt voor groei in werkgelegenheid voor professionele dienstverleners (Eng: *professional service firm* ofwel PSF) zoals accountancy, advocatuur en vastgoeddienstverleners. De adviezen van deze kennis-gedreven dienstverleners voorzag in de groeiende behoefte aan efficiëntie en winstgevendheid in tijden van stevige marktconcurrentie en onzekerheid. Met name accountantskantoren hebben stevig geprofiteerd van deze onzekerheden (Spence en Carter, 2014). Accountantskantoren en advocatuur bezitten echter ook kenmerken van een klassiek professie. Bovendien hebben deze dienstverleners ook te maken met stevige onderlinge concurrentie. Dit heeft er toe geleid dat het klantgericht denken en handelen (d.w.z. goed werk in de ogen van de klant) in veel PSF sectoren in toenemende mate verankerd is (Greenwood en Lachman, 1996; Crompton, 1990). Hanlon (1998) duidt in dit verband op een nieuwe vorm van professionaliteit (naast de klassiek-professionele opvatting) die hij commercieel of business professionaliteit noemt. In het licht van de beargumenteerde parallellen tussen accountancy en taxeren in dit hoofdstuk is het plausibel dat het commercieel professionalisme ook in de laatstgenoemde beroepsgroep zich in toenemende mate manifesteert.

Invloed van commercie op autonomie in oordeelsvorming

In navolging van toenemende concurrentie ziet Lengnick-Hall (1996) een verschuiving in denken handelswijze onder PSF professionals, waaronder accountants. De klassieke, technisch-professionele logica, gebaseerd op aspecten van onafhankelijkheid, publiek belang en morele gedragscode, lijkt in toenemende mate te worden uitgedaagd door een commercieel gedreven logica die gecentreerd is rond thema's als klantrelaties, efficiëntie en winstgroei (Gendron, 2002). Deze commercialiseringsslag heeft in diverse PSF sectoren plaatsgevonden. Hierdoor heeft het begrip klantgerichtheid een nieuwe dimensie gekregen. Waar de klant vroeger een passieve of hulpbehoevende afnemer was, is de klant tegenwoordig een autoriteit op zichzelf, met inhoudelijke kennis en een duidelijk beeld van goed werk. Het vermogen om de (kritische) klantbasis te behouden en te laten groeien is daarmee een essentieel onderdeel

van professionaliteit in veel PSF sectoren geworden. Dit heeft in algemene zin geleid tot een aanpassing in denk- en handelwijze van professionals, waarbij in toenemende mate rekening dient te worden gehouden met de opinies en feedback van klanten in de oordeelsvorming, teneinde goed werk te kunnen leveren (Hanlon, 1998).

Hoofdstuk 3 – Onderzoeksontwerp

Ten tijden van de aanvang van dit promotieonderzoek was voorzien dat het proefschrift zou bestaan uit een serie van individuele studies die elk een aspect van de relatie tussen klantgerichtheid en autonomie belichten. Zoals betoogd in het voorgaande hoofdstuk, zijn er diverse parallellen zichtbaar tussen het werk van de accountant en de taxateur. Aangezien in de kennisbasis van taxeren relatief weinig gedragswetenschap is beoefend, is ervoor gekozen om relevante theoretische invalshoeken uit de accountancy-literatuur toe te passen in dit onderzoek. In totaal beslaat het proefschrift vijf deelstudies, die opeenvolgend zijn uitgevoerd zodat opgedane kennis uit één studie gebruikt kon worden in vervolgonderzoek. Het onderzoeksontwerp kan daarom als ‘emergent’ of ontwikkelend beschouwd worden (De Lange e.a., 2016). Elke deelstudie is in samenspraak met twee coauteurs uitgewerkt in een paper dat is ingediend voor peer review en publicatie in een Engelstalig wetenschappelijk tijdschrift. Het gehele ontwerp is samengevat in bijgevoegde tabel.

Tabel 30 Onderzoeksopzet

Onderzoeksdoel: inzicht in de wijze waarop klantgerichtheid de oordeelsvorming van taxateurs beïnvloedt vanuit diverse autonomie-gerelateerde invalshoeken					
	Studie 1	Studie 2	Studie 3	Studie 4	Studie 5
Invalshoek	Oordeelsbias	Taak-complexiteit	Professioneel-kritische houding	Ideaal-typologieën	Roloriëntatie
Doel studie	Overzicht en consistentie in literatuur oordeelsbias	Analyse taakomgeving taxateurs	Kritische oordeelsvorming tijdens taakuitvoering	Analyse autoriteiten op speelveld taxateurs	Rolverkenning taxateurs in relatie tot werkcontext
Methode	Systematische literatuur-verkenning	Theorie-ontwikkeling via gefundeerde theorie-benadering	Generalisering theorie via survey-onderzoek	Theorie-ontwikkeling via gefundeerde theorie-benadering	Generalisering theorie via survey-onderzoek
Periode	2016	2017	2018	2019	2020

Gedurende het onderzoek is naar voren gekomen dat het emergente ontwerp geresulteerd heeft in de bestudering van klantgerichtheid op twee niveaus. Het eerste niveau is het taakniveau,

dat gericht is op de analyse van klantinvloed tijdens *het dagelijks werk* van de taxateur. De studies over taakcomplexiteit (studie 2) en kritische oordeelsvorming (studie 3) voorzien in analyse op dit niveau. Het andere niveau is het rolniveau van de taxateur, hetgeen de invloed van klantgerichtheid op de *positie* van de taxateur richting de klant analyseert. De studies over ideaaltypologieën (studie 4) en roloriëntatie (studie 5) vormen de uitwerking van deze invalshoek. Door middel van bestudering van klantgerichtheid op zowel rolniveau als taakuitvoeringsniveau beoogt dit proefschrift een samenhangend beeld van navenante effecten op de autonomie in oordeelsvorming van taxateurs te verschaffen.

Methodiek

Met betrekking tot het onderzoeksdoel is in dit promotieonderzoek een combinatie van inductieve methodiek (via gefundeerde theoriebenadering) en deductieve methodiek (via surveyonderzoek) toegepast. Gefundeerde theoriebenadering is gebruikt om ervaringen en interpretatie van de doelgroep ten aanzien van klantgerichtheid te verzamelen, analyseren en bundelen tot constructen van de sociale context van taxateurs. Daarmee is deze methode geschikt om opgedane inzichten te conceptualiseren tot bruikbare theorieën (De Lange e.a., 2016). Daarnaast is surveyonderzoek gebruikt om waar mogelijk genoemde inzichten te generaliseren in relatie tot de doelgroep en zodoende bij te dragen aan bredere toepasbaarheid van gegenereerde uitkomsten. Tevens kan survey-onderzoek door middel van statistische analyse inzicht verschaffen in mogelijke patronen in klantoriëntatie (bijvoorbeeld ten aanzien van werkcontext) die voor respondenten zelf niet direct waarneembaar zijn (Visser e.a., 2014). De toepassing van inductief en deductief onderzoek heeft als doel een solide bijdrage te leveren aan kennisproductie in een onderzoeksveld waarin onderhavige kennis beperkt voorhanden is. In de navolgende hoofdstukken 4 t/m 8 worden de vijf deelstudies nader beschreven.

Hoofdstuk 4 – Bias in oordeelsbiasliteratuur - een systematische verkenning van taxatiegedragsstudies

Dit paper heeft als doel wetenschappelijke inzichten ten aanzien van oordeelsbias door taxateurs te verzamelen en analyseren. Hiertoe is een systematische literatuurverkenning ondernomen, waarbij relevante studies uit Engelstalige wetenschappelijke tijdschriften gedurende de periode 1985-2015 zijn onderzocht. Een systematische literatuurverkenning biedt de mogelijkheid om beschikbare, primaire kennis omtrent een specifiek omlijnd onderwerp te analyseren en synthetiseren (Petticrew en Roberts, 2006). De auteurs hebben de kennisbasis over oordeelsbias geanalyseerd op onderzoekscontext, toegepast methodologie, en behaalde resultaten.

Het verzamelen van relevante papers is gestart met de bestudering van relevante theoretische papers over taxateursgedrag (w.o. Delisle, 1985; Diaz, 1999; Diaz en Hansz, 2007; en Wyman e.a., 2011). Vervolgens is de sneeuwbalmethode toegepast via auteurscitatie, aangevuld met indexanalyse van tijdschriften en zoektermanalyse via vrij toegankelijke databases als Web of

Science en Google Scholar. Dit heeft geresulteerd in een initiële database van 74 papers over taxateursgedragingen. Nadere analyse heeft geresulteerd in een definitieve database van 32 papers die op empirische wijze oordeelsbias van praktiserende taxateurs onderzocht hebben. Van deze set leggen 17 papers de nadruk op intrapersoonlijke bias (d.w.z. cognitieve bias tijdens individuele informatieverwerking) en 15 papers voorzien in een studie naar interpersoonlijke oordeelsbias (bias als gevolg van contact tussen taxateur en opdrachtgever).

Nadere analyse van deze database heeft tot de volgende resultaten geleid. Ten aanzien van methodologie blijkt een sterke neiging naar dataverzameling via experiment en/of vragenlijst. Dit geldt zowel voor intrapersoonlijke als interpersoonlijke studies naar oordeelsbias. Analyse van onderzoekscontext wijst uit dat het veldonderzoek van 21 van de 32 studies is uitgevoerd in een relatief kort tijdsbestek van een decennium tussen 1995-2005. Bovendien zijn de veldgegevens van 18 studies Amerikaans van origine, hetgeen de internationale representativiteit bemoeilijkt. Daarnaast blijkt dat het veldonderzoek van twee-derde van de studies aangaande interpersoonlijke oordeelsbias (d.w.z. aangaande de relatie opdrachtgever-taxateur) is uitgevoerd met behulp van een gemêleerde groep van zowel zakelijk vastgoed als woningtaxateurs. Gezien de onderlinge verschillen in aard en complexiteit van het werk zou een homogene onderzoekspopulatie wenselijk zijn. Tot slot blijkt dat in de database ten aanzien van onderzoeksresultaten slechts enige mate van consistentie in bewijs is aangetroffen. Grofweg de helft van alle papers toont oordeelsbias aan, met name in de gevallen van intrapersoonlijke oordeelsbias. Ten aanzien van klantbeïnvloeding en interpersoonlijke oordeelsbias vertonen de studies onderling (te) veel variatie om een consistent beeld van bestudeerde effecten te kunnen genereren.

Op basis van bovenstaande resultaten is geconcludeerd dat de beschikbare kennisbasis omtrent oordeelsbias bij taxateurs op het vlak van context, methodologie en resultaten een relatief eenzijdig en inconsistent beeld laat zien. De auteurs zijn van mening dat deze bias in gedragsonderzoek een belangrijke reden vormt voor de beperkte kennisbasis over taxateursgedrag. Een pleidooi voor diepgaande analyse van oordeelsbias op basis van een interpretatief onderzoeksontwerp vormt daarom een belangrijke aanbeveling van deze studie.

Hoofdstuk 5 – Complexiteit in taxatiepraktijk: een onderzoek naar taxateurspercepties van taakcomplexiteit in de Nederlandse vastgoedmarkt

Dit paper bestudeert de taakomgeving van zakelijk vastgoedtaxateurs in Nederland. Een taakomgeving van een taxateur is rijk aan stimuli of informatieprikkels die diverse uitdagingen met zich meebrengen tijdens de uitoefening van taxaties (bijv. Levy en Schuck, 2005; Bretten en Wyatt, 2001). Helaas is er geen overzicht voorhanden van relevante stimuli in de taakomgeving van taxateurs in relatie tot oordeelsvorming. Ons doel is de bestaande literatuur met een dergelijk inzicht te verrijken waarbij we bestuderen of en hoe taxateurs externe prikkels meewegen in hun voorgenomen keuzes tijdens de uitvoering van zakelijk vastgoed taxaties.

Taakcomplexiteit is een begrip waarvan geen eenduidige definitie lijkt te bestaan (Liu en Li, 2012). Dit heeft te maken met het gegeven dat een centraal element in deze definitie, de cognitieve inspanning gelieerd aan de complexiteit, op zichzelf niet accuraat meetbaar is. Om die reden voorzien veel definities van dit begrip in een beschrijving van aspecten of classificaties van taakcomplexiteit (Bonner, 1994). Wel wordt traditioneel onderscheid gemaakt tussen objectieve (d.w.z. complexiteit in functie van taakaspecten) en subjectieve of gepercipieerde complexiteit in relatie tot kennis en ervaring van de taakuitvoerder (Liu en Li, 2012). Järvelin (1995) betoogt dat de *perceptie* van taakcomplexiteit (en niet de taakomschrijving zelf) essentieel is, aangezien onzekerheden in deze perceptie zullen leiden tot een bepaalde informatiebehoefte en activiteit van de uitvoerder. Funke (2010) hanteert het begrip situationele taakcomplexiteit, d.w.z. de reikwijdte van complexiteit kan per situatie variëren tussen taakaspecten (in enge zin) en gelieerde aspecten uit de taakomgeving van de taakuitvoerder in ruime zin.

Om de gepercipieerde taakcomplexiteit in de Nederlandse taxatiecontext te onderzoeken is gebruik gemaakt van de gefundeerde theoriemethode in combinatie met semigestructureerde interviews (Corbin en Strauss, 1990). Via constante vergelijking van nieuwe interviewdata met informatie opgehaald uit voorgaande interviews is de vragenlijst doorontwikkeld. Hierbij is gebruik gemaakt van de ordeningsprincipes van open, axiale en selectieve codering (Corbin en Strauss, 2008). Interviews zijn afgenomen totdat er geen nieuwe informatie meer opgehaald is en alle verkregen informatie gerelateerd is aan eerder gevonden inzichten (d.w.z. datasaturatie heeft opgetreden). Dit proces heeft geresulteerd in een set van 18 interviews met ervaren taxateurs. Deze groep heeft een gemiddelde leeftijd van 49 jaar, 20 jaar werkervaring en kenmerkt zich door een variatie in organisatiecontext en werkgebied.

De resultaten van dit onderzoek geven het volgende beeld weer. Gedurende de uitvoering van taxaties ervaren Nederlandse taxateurs veelvuldig situationele taakcomplexiteit. Hierbij wordt cognitieve inspanning geleverd om bij de uitvoering van zes taakmodules rekening te kunnen houden met zowel taakaspecten als aspecten uit de taakomgeving. Deze zes modules vormen samen het taxatieproces en beslaan de input, proces en outputfase van taxeren. Gepercipieerde taakcomplexiteit in de inputfase heeft te maken met het relatiemanagement van zakelijke klanten die zelf op verschillende niveaus van vastgoedkennis acteren. Procesfase-complexiteit is gerelateerd aan de beoordeling van ambigue of incomplete marktgegevens en referentietransacties. Complexiteit in de outputfase vereist tot slot cognitieve inspanning in relatie tot klantbesprekingen en eventuele inhoudelijke rapportaanpassingen. Daarnaast hebben we vastgesteld dat de taakomgeving een belangrijke variabele is bij het verklaren van verschillen in de omgang met taakcomplexiteit per type taxateur (d.w.z. specialist, MKB, grootzakelijk taxateur). Deze taakomgeving omvat aspecten van proces/kwaliteitsnormen van opdrachtgevers, concurrentieverhoudingen in de markt en kenmerken van de organisatie waar de taxateur werkzaam is. Commerciële belangen gekoppeld aan klant of markt vormen als

zodanig belangrijke omgevingsvariabelen die taxateurs meenemen in de oordeelsvorming bij gepercipieerde taakcomplexiteit.

Hoofdstuk 6 – Hoe ‘klanthechting’ de informatieverificatie in taxaties van zakelijk vastgoed kan beïnvloeden

Dit paper bestudeert de relatie tussen professioneel-kritische oordeelsvorming in informatieverificatie en taxateurskenmerken als werkervaring en functieniveau. Professionele taxatiestandaarden vereisen dat taxateurs accurate taxaties opleveren waarin redelijke inspanningen verricht worden om de betrouwbaarheid van gebruikte informatie te beoordelen (RICS, 2017a; TEGoVA, 2016). Desalniettemin leidt de betrouwbaarheid van taxaties onder beïnvloeding van oordeelsvorming door klanten (Levy en Schuck, 2005). Volgens Hurtt (2010) betreft het professionele aspect in informatieverificatie het vermogen om een oordeel uit te stellen totdat de verzamelde bewijslast daartoe voldoende onderbouwing biedt. In accountancy wordt de toepassing van een dergelijke professioneel-kritische opstelling als een essentieel onderdeel van zorgvuldigheid in oordeelsvorming beschouwd (Nelson, 2009). Gezien de parallellen tussen accountancy en taxeren (waaronder een gedeeld publiek belang en een commerciële taakomgeving) biedt het concept van een professioneel-kritische opstelling een plausibele invalshoek voor nadere bestudering in de taxatiepraktijk.

De Nederlandse taxatiepraktijk is relatief gefragmenteerd georganiseerd; zo’n 2.000 zakelijk vastgoedtaxateurs zijn werkzaam bij circa 1.400 (veelal kleinere) organisaties (NRVT, 2018). Veel taxateurs vervullen een senior positie binnen hun organisatie. Daarnaast mogen taxateurs in Nederland hun werkzaamheden combineren met het leveren van makelaarsdiensten ten behoeve van verhuur en verkoop van vastgoed. Ten behoeve van onze onderzoekshypothesen veronderstellen we dat taxateurs die een functie op partnerniveau hebben een lagere score behalen op informatieverificatie dan taxateurs die werkzaam zijn op een lager functieniveau, als gevolg van onder meer langdurige klantrelaties en een grote mate van handelingsvrijheid. Daarnaast veronderstellen we een negatief verband tussen makelaarservaring en de score op informatieverificatie. Het combineren van taxatiewerkzaamheden met makelaarsdiensten zal theoretisch leiden tot een hogere mate van binding met de klant als gevolg van economische motieven en verweven klantrelaties (d.w.z. behoud van de klantrelatie teneinde op een ander moment ook makelaarsdiensten aan te kunnen bieden).

Om onze hypothesen te kunnen testen is een vragenlijst opgesteld. Deze vragenlijst bestaat onder meer uit drie casussen waarin de respondent een keuze wordt voorgelegd over verificatie-inspanning bij klantgevoelige informatie. Bij de opstelling van deze casussen is gebruik gemaakt van informatie over complexiteit in verificatie uit de voorgaande deelstudie (Klamer e.a., 2018) en van de onafhankelijkheidstypologie van Johnstone e.a. (2001). In totaal is een steekproef van 290 bruikbare antwoorden verzameld, hetgeen een respons van 14,5% oplevert.

De respons op de vragenlijst heeft tot de volgende bevindingen geleid. Makelaarservaring correleert significant negatief met (gepercipieerde) verificatie-inspanning. Daarnaast blijkt dat taxateurs werkzaam op het functieniveau van partner/mede-eigenaar significant minder scoren op verificatie-inspanning dan taxateurs met dezelfde werkervaring die op een lager managementniveau werkzaam zijn. In een controlevraag blijkt kritisch denken bij partner-taxateurs desalniettemin minstens zo goed ontwikkeld te zijn als bij manager-taxateurs. In onze optiek bevestigen deze uitkomsten dat er sprake is van een vorm van (ongewenste) klantbinding die de autonomie in oordeelsvorming van taxateurs met de genoemde profielen aantast. De ontwikkeling van een professioneel-kritische houding in informatieverificatie kan derhalve een zinvolle bijdrage leveren aan de algehele professionele vorming van taxateurs, teneinde onbewuste en ongewenste neveneffecten van goede klantrelaties te onderdrukken.

Hoofdstuk 7 – Het ideaaltipe taxateur: Expert, Dienstverlener of Rapporteur?

Dit paper onderzoekt hoe taxateurs zichzelf positioneren richting opdrachtgevers en andere belanghebbenden. Taxeren kan beschouwd worden als een type professie, vanwege het monopolie op taakuitoefening dat belegd is bij een specifieke beroepsgroep, en het publieke belang dat hiermee gediend is. Een beroepsgroep die bovendien zelfregulerend is ten aanzien van het uitdragen en naleving van beroepsregels zoals onafhankelijkheid en integriteit (Lawson, 2004). In de dagelijkse praktijk hebben taxateurs echter veelvuldig te maken met andersoortige, vaak commerciële belangen van (winstgedreven) opdrachtgevers. De publieke taakuitoefening die voorziet in onafhankelijke, autonome oordeelsvorming kan botsen met de (ongewenste) invloed van opdrachtgevers ten aanzien van de wenselijke uitkomst van de taxatie (Spence en Carter, 2014).

In dit onderzoek wordt de positionering van taxateurs ten opzichte van diverse belanghebbenden bestudeerd vanuit de invalshoek van institutionele logica (IL). In literatuur over professionele dienstverleners (*professionele service firms*, PSF) wint het IL perspectief aan belangstelling in de bestudering van effecten van vercommercialisering op (klassiek-)professioneel gedrag (Dezalay, 1995; Ocasio e.a., 2017). Het IL perspectief vindt zijn oorsprong in het concept van institutionele theorie. Op individueel niveau wordt IL bestempeld als de sociale constructies van waarden, overtuigingen en regels waarmee individuen betekenis verlenen aan hun sociale (werk)omgeving (Ocasio e.a., 2017). Tegenwoordig wordt met het IL-perspectief veel aandacht besteed aan twee concurrerende logica's die binnen een (PSF) organisatie de heersende redeneertrant voeden; een klassieke (technisch-) professionele logica zoals vertegenwoordigd in beroepsstandaarden, en een commercieel-professionele logica waarbij het klantdenken centraal staat.

Een beproefde manier om IL-gedreven redeneergedrag te analyseren is door toepassing van ideaaltypen (Thornton e.a., 2012). Een ideaaltipe wordt gezien als een model dat de ideale denk- en handelwijze voorstelt vanuit het oogpunt van een bepaalde autoriteit in een specifieke omgevingscontext. Aan dit ideaalbeeld kan een professional zich spiegelen (Ocasio e.a., 2017).

In deze studie wordt de gefundeerde theoriemethode via semigestructureerde interviews toegepast om heersende opvattingen over professionaliteit van taxateurs vanuit een IL-perspectief te analyseren, en om ideaaltypen van zakelijk vastgoedtaxateurs te construeren. In totaal zijn 20 interviews gehouden in 2019 met een gemêleerde groep van ervaren zakelijk vastgoedtaxateurs door heel Nederland.

Aan de hand van analytische coderingsschema's (Corbin en Strauss, 2008) zijn interviewdata ontleed om een typologie van drie ideaaltypen te construeren die het speelveld domineren van zakelijk vastgoedtaxateurs. Elk ideaaltype vertegenwoordigt een logica die gewenst redeneergedrag vanuit een specifieke belanghebbende of autoriteit uitdraagt. Het eerste ideaaltype is de taxateur als Expert, die de professionele standaarden en beroepsregels van de beroepsvereniging als autoriteit vertegenwoordigt. In dit ideaalbeeld dient de taxateur vooral aandacht te schenken aan de technische kwaliteit (d.w.z. degelijke analyse, onderbouwing e.d.) in de taakuitoefening. Het tweede ideaal is de taxateur als Dienstverlener, als vertegenwoordiger van de klantautoriteit. Naleving van dit ideaal voorziet in hoge commerciële kwaliteit van de taak (w.o. aspecten van efficiëntie en klantgerichtheid). Het derde ideaaltype is de taxateur als Rapporteur. Dit ideaaltype vertegenwoordigt de autoriteit van de toezichthouder en ziet toe op voldoende aandacht voor naleving van regelgeving en administratieve kwaliteit (d.w.z. nadruk op procedures en risicomanagement). Onze conclusie is dat de taxateur beschouwd moet worden als een hybride professional die in zijn denken en handelen in de praktijk rekening houdt met de belangen van alle drie de autoriteiten tijdens de taakuitoefening. Echter, gezien de tijdsdruk en deadlines die veelal gepaard gaan met de taakuitoefening, vormen de impact van de ideaaltypen Dienstverlener en Rapporteur een risico voor de technisch-inhoudelijke taxatiekwaliteit. Immers, de onderling conflicterende normen van de drie ideaaltypen impliceren dat taxateurs keuzes dienen te maken in de beperkt beschikbare tijd voor taakuitvoering en taxateurs nemen mogelijke gevolgen van hun keuzes of repercussies mee in hun afwegingen (zoals het verlies van een klantrelatie). In dit verband vormt de nadrukkelijke aanwezigheid van zowel de autoriteit van de klant als de toezichthouder op het speelveld van taxateurs de laatste jaren een risico voor de professionele ruimte vanuit het Expertideaal in de praktijk.

Hoofdstuk 8 – Roloriëntatie van Nederlandse taxateurs: in balans of bevooroordeeld?

Dit paper onderzoekt de roloriëntatie van zakelijk vastgoedtaxateurs in relatie tot de autoriteit van relevante belanghebbenden in Nederland. In de literatuur over taxateursgedrag wordt klantinvloed als een belangrijk risico voor onafhankelijkheid beschreven. Prijs-validerend gedrag (i.p.v. objectieve beoordeling) door taxateurs is in diverse studies onderzocht (w.o. Wolvert en Gallimore; 1999; Amidu e.a.; 2008; en Smolen en Hambleton, 1997). Bezien vanuit het concept van roloriëntatie kan prijsvalidatie als een uitingsvorm van rolconflict beschouwd worden, waarbij de macht van de klant verder reikt dan de autoriteit van de beroepsvereniging. Helaas ontbeert de literatuur verdere inzichten in de roloriëntatie van taxateurs. In deze studie wordt

daarom inzicht verschaft in hoeverre roloriëntatie effect heeft op voorgenomen keuzes die taxateurs maken in hun taakuitoefening. Voor dit onderzoeksdoel wordt gebruikt gemaakt van surveyonderzoek via een enquête, waarmee zelfconstructen van roloriëntatie onder Nederlandse taxateurs van zakelijk vastgoed verkend worden.

In organisatieverband wordt het concept van roloriëntatie onder meer gebruikt om te bestuderen hoe individuen hun rol in een specifieke werkomgeving vormgeven. Met vormgeving wordt in dit verband bedoeld hoe professionals zich verhouden tot de heersende gedragsregels die vanuit een autoriteit worden verwacht of opgelegd (Sluss e.a., 2011). Bij de klassieke beroepsgroepen onder de professionele dienstverleners (PSF) houdt deze rolopvatting verband met (klassiek-)professionele en commerciële logica die druk uitoefenen op gedrag van beroepsbeoefenaars (Gendron, 2009; Hall e.a., 2005; Parker e.a., 1997). De manifestatie van conflicterende logica is onder meer aangetoond in PSF sectoren als advocatuur (Faulconbridge en Muzio, 2008); accountancy (Lander e.a., 2013); architectuur (Thornton e.a., 2015); en controlling (Maas en Matějka, 2009).

Ten behoeve van onze enquête zijn drie kenmerken van werkcontext geïdentificeerd die theoretisch verband houden met roloriëntatie: werkervaring, specialisatie en organisatietype. Ten aanzien van werkervaring wordt beargumenteerd dat taxateurs met relatief veel ervaring gemiddeld minder accent leggen op procedurele aspecten in hun taakuitvoering, ofwel relatief minder accent leggen op het ideaalbeeld van de Rapporteur in hun rolopvatting. Deze taxateurs hebben langjarig in het pre-NRVT tijdperk taxaties uitgevoerd en zijn gewend aan een bepaalde mate van autonomie in hun denken en handelen. Met betrekking tot specialisatie veronderstellen we dat parttime taxateurs die hun klanten ook bedienen met makelaardijactiviteiten relatief meer nadruk leggen op commerciële aspecten van taxeren in hun rolopvatting, en daarmee relatief meer neigen naar het ideaaltipe van de Dienstverlener dan fulltime taxateurs. Tot slot veronderstellen we dat taxateurs die werkzaam zijn in grote full-service vastgoedpraktijken als gevolg van stevige onderlinge concurrentie relatief meer aandacht geven aan de Dienstverlenersrol in hun rolopvatting dan taxateurs die werkzaam zijn in andere (kleinere) typen organisaties.

De enquête is opgezet via Likertschaal-vragen waarmee respondenten zichzelf kunnen scoren op aspecten van rolopvatting. Relevante aspecten van rolopvatting komen tot uiting in de keuzes qua aandacht en accenten in de taakuitvoering. Voor dit doel is informatie ontleend aan eerdere interviews met taxateurs (Klamer e.a., 2018; Klamer e.a., 2020). In totaal zijn 151 geretourneerde enquêtes bruikbaar geacht voor nadere analyse, ofwel een respons van 17%.

Onze bevindingen laten zien dat taxateurs in het algemeen een gebalanceerde rolopvatting hebben, waarin aspecten van alle drie de ideaaltypen Expert, Dienstverlener en Rapporteur vertegenwoordigd zijn (de Expertrol is echter het meeste vertegenwoordigd in de modale roloriëntatie). In relatie tot onze drie hypothesen zijn ook enkele afwijkingen van deze modus

waarneembaar. In tegenstelling tot onze veronderstelling geven taxateurs met meer werkervaring juist (significant) meer aandacht aan aspecten van de Rapporteur in hun roloriëntatie. Dit houdt mogelijk verband met de veronderstelde hogere organisatorische positie die langjarige werkervaring met zich meebrengt en de bijkomende verantwoordelijkheid richting externe belanghebbenden. Tevens vinden we dat fulltime taxateurs significant meer aandacht vestigen op aspecten van het Dienstverlenersideaal dan parttime taxateurs, hetgeen waarschijnlijk samenhangt met het gegeven dat parttime taxateurs hun klanten ook via andere activiteiten bedienen en kunnen binden (d.w.z. niet al hun geld op één paard hoeven te zetten). Tot slot geven de resultaten weer dat taxateurs werkzaam in groter organisatieverband significant relatief meer aandacht schenken aan het Dienstverlenersideaal dan taxateurs werkzaam in andere werkcontext. Bovenstaande bevindingen leiden tot de conclusie dat in het algemeen de roloriëntatie van zakelijk vastgoedtaxateurs weliswaar een gebalanceerd beeld laat zien, maar dat binnen de beroepsgroep diverse risico's op rol-gerelateerde oordeelsbias aanwezig zijn. Taxateurs dienen zich hiervan bewust te worden teneinde de technisch-inhoudelijke taxatiekwaliteit te kunnen blijven waarborgen.

Hoofdstuk 9 – Conclusies, discussie en aanbevelingen van het onderzoek

Samenvatting en conclusie

Dit promotieonderzoek is gestart in 2016 om het waargenomen kennishiaat rondom de manifestatie van klantgerelateerde oordeelsbias bij zakelijk vastgoedtaxateurs te adresseren. Inzicht in de wijze waarop klantoriëntatie de klassiek-professionele oordeelsvorming beïnvloedt is nodig, om individuele bewustwording van klantgerelateerde risico's te stimuleren en de eigen normatieve ontwikkeling op dit vlak te bevorderen. De probleemstelling van dit onderzoek is daarom als volgt geformuleerd:

‘Hoe beïnvloedt klantgerichtheid de professioneel-autonome oordeelsvorming van zakelijk vastgoedtaxateurs in Nederland?’

Het onderzoeksontwerp dat is opgesteld om deze probleemstelling te beantwoorden bestaat uit een combinatie van systematische literatuurverkenning en vijf empirische deelstudies. Uit de resultaten van deze studies is naar voren gekomen dat klantoriëntatie geworteld lijkt te zijn in de algemene erkenning van ‘de klant’ als een belanghebbende met een sterke autoriteit. Deze autoriteit is vergelijkbaar met de autoriteit van de beroepsvereniging en de toezichthouder, namelijk één die het dagelijks denken en handelen van taxateurs voor een groot deel bepaalt. De klantautoriteit komt tot uiting in het geconstrueerde ideaalbeeld van de taxateur als Dienstverlener, die aandacht voor commerciële aspecten van taxatiekwaliteit nastreeft. Dit ideaaltipe kenmerkt zich door een commerciële denkwijze of logica die tot uiting kan komen in

de missie van de taxateur (d.w.z. nastreven van goede klantrelaties) en strategie (nadruk leggen op efficiëntie, klantgerichte houding e.d.).

In de dagelijkse praktijk kan de klantautoriteit de oordeelsvorming van taxateurs beïnvloeden omdat Nederlandse taxateurs zich kenmerken door een brede oriëntatie op hun taak. Hiermee wordt bedoeld dat taxateurs ontvankelijk en responsief zijn voor omgevingsprikkels in de uitoefening van hun taak. Degelijke stimuli kunnen gerelateerd zijn aan de klant, zoals diens expertise of wensen ten aanzien van procesuitvoering. Een klantgerichte houding van een taxateur is op zichzelf goed verklaarbaar in het licht van economisch lijfsbehoud in een competitief speelveld, maar opent tegelijk een deur voor klanten om hun mening of belang te ventileren en daarmee de oordeelsvorming van taxateurs te beïnvloeden. Daarnaast speelt de klantautoriteit een belangrijke rol in een speelveld dat gekenmerkt wordt door prijsconcurrentie en strakke deadlines. Dit resulteert in een neiging naar efficiëntie waardoor technisch-inhoudelijke kwaliteitsaspecten in de oordeelsvorming in het gedrang kunnen komen. Hierbij komt dat ook de derde autoriteit, de toezichthouder, tijd en aandacht vraagt voor borging van de procedurele kwaliteit van taxatierapporten (d.w.z. compliance en regelgeving). Het lijkt er overigens op dat taxateurs zich niet voldoende bewust zijn van de risico's die een klantgerichte houding of brede taakoriëntatie met zich meebrengt in een dergelijk speelveld. Het stimuleren van deze bewustwording is daarom een integraal onderdeel van de aanbevelingen die uit dit onderzoek volgen.

Discussie

De resultaten uit dit onderzoek kunnen gebruikt worden om de professionele context van taxateurs als beroepsgroep concreter te belichten. In hoofdstuk 2 is het vak van taxeren belicht vanuit zowel een klassiek-professionele invalshoek als een commerciële invalshoek. De resultaten uit dit onderzoek laten zien dat taxeren niet zozeer beschouwd moeten worden als een semiprofessionele beroepsgroep op basis van aanwezigheid van klassieke kenmerken, maar specifiek geduid kan worden als een business professie (Eng: *business profession*; Hanlon, 1998). Een business professie wordt gekenmerkt door een mix van klassieke professie-aspecten, zoals een publiek belang en zelfregulatie, en van commerciële businessaspecten die tot uiting komen in het commerciële speelveld, concurrentie en economisch lijfsbehoud. Deze typering draagt met zich mee dat een business professie *altijd* gekenmerkt wordt door tenminste twee logica's die de autonomie van de beroepsbeoefenaar bij oordeelsvorming beïnvloeden: een klassiek-professionele logica en een commercieel-professionele logica. Dit onderzoek laat zien hoe beide logica's verweven zijn in het denken (en handelen) van zakelijk vastgoedtaxateurs in Nederland. Daarmee kan de taxateur als een echte hybride professional geduid worden. Een hybride professional streeft ernaar de relevante gedragsnormen van de achterliggende autoriteiten op een of andere wijze te integreren in zijn of haar eigen benadering van goed werk, teneinde 'passend' te handelen en als zodanig beloond te worden c.q. het risico op sancties vanuit een autoriteit te reduceren.

De resultaten van dit onderzoek tonen aan hoe taxateurs hun autonomie soms aanwenden om nadruk te leggen op het ideaal van de Dienstverlener en/of Rapporteur, waardoor taxateurs bewust of onbewust het risico lopen Expert-gerelateerde activiteiten zoals onderzoek, onderbouwing en analyse te onderbelichten. Deze afweging kan te maken hebben met een nadruk op commerciële (of procedurele) kwaliteitsaspecten die samenhangen met economisch lijfsbehoud in de context van een business professie. Een conclusie die belanghebbenden zoals beroepsverenigingen en toezichthouders aan het denken moeten zetten over hun eigen autoriteit en doelstelling in het speelveld van (zakelijk vastgoed) taxateurs.

Aanbevelingen voor de praktijk

De resultaten van dit promotieonderzoek kunnen gebruikt worden om de kwaliteit van de (klassiek-) professionele oordeelsvorming van taxateurs als volgt te versterken.

- Meer aandacht voor het publieke functie van vastgoedtaxateurs. Deze publieke functie van taxateurs dient door belanghebbenden als beroepsverenigingen en toezichthouder sterker ingebed te worden in de Nederlandse context. Dit dient zowel tot uiting te komen op regulatieve wijze (via praktijkhandleidingen en beroepsregels e.d.), als in educatie via taxateursopleidingen en permanente educatie van praktiserende taxateurs;
- Erkenning van het vakgebied psychologie als kernonderdeel van opleidingscurricula voor taxeren, naast thema's als bouwkunde, recht en economie. Toevoeging van dit vakgebied aan taxatiecurricula doet recht aan de praktijk dat taxeren niet alleen de toepassing is van inhoudelijke kennis en technieken, maar ook van oordeelsvorming in een sociale, competitieve en klantgerichte (organisatie)context. Kennis van en vaardigheden in oordeels- en besluitvormingsprocessen dient als voorwaarde voor verkenning van en reflectie op de eigen normativiteit als beroepsbeoefenaar in praktijksituaties van taakcomplexiteit;
- Versterking van de professioneel-kritische basishouding van taxateurs. Klantinvoeden beperken zich niet tot directe contactmomenten, maar kunnen de redeneerwijze van taxateurs gedurende de hele taakuitvoering beïnvloeden. Ontwikkeling van een 'kritische' basishouding en vaardigheden jegens klanten stimuleert de bewustwording van klantgerelateerde risico's in de oordeelsvorming van taxateurs, en versterkt de autonomie van de professional die acteert in een commerciële omgeving.

De combinatie van bovenstaande aanbevelingen is gericht op het versterken van de autoriteit van de Expertrol in de dagelijkse praktijk van een business professie zoals taxeren. De daadwerkelijke handelswijze van taxateurs in dit kader is echter onderwerp van vervolgonderzoek. Met deze thesis hoop ik voldoende aanknopingspunten hiervoor te hebben verschaft.

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Curriculum Vitae

Pim Klamer (1975) was born in Hoorn and raised in Heiloo, Noord-Holland (the Netherlands). After completing secondary education (VWO) in 1994, he studied economics at the Vrije Universiteit in Amsterdam. During his studies he specialised in spatial economics and real estate and he attended one year of the real estate master of science programme at the University of Wisconsin, Madison (USA) in 1999-2000. He was also assigned as a research assistant in the department of Spatial Economics at the Vrije Universiteit and completed a real estate research internship at Jones Lang LaSalle in London in 2000. In June 2000, he presented a working paper on the impact of out-of-town shopping centres on high-street retail at the 40th congress of the European Regional Science Association in Barcelona.

Following graduation in 2000, he started a career in real estate as a stock market securities analyst at LaSalle Investment Management in Amsterdam in 2001. As of 2003 he worked as a real estate asset manager at the Dutch branch office of the German Aareal Bank, following which he joined the consultancy team of Deloitte Real Estate in 2006 as a senior consultant. In 2009, he left the commercial real estate practice and joined Hogeschool Utrecht as a lecturer on real estate in the Facility Management bachelor programme. At the HU he has coordinated the real estate management minor since 2010 and has co-organised the FM bachelor's graduation programme since 2012. He also lectures and supervises graduation theses in real estate related master programmes at the HU.

In 2014 Pim combined his work for the HU with the Academie voor Vastgoed, where he advises on real estate valuation education programmes. From 2016 onwards, he has been a part of the HU-research group 'Normatieve Professionalisering' led by professor Cok Bakker where he started his PhD research on commercial real estate valuation practitioners.

