ETHICAL ISSUES IN SURVEYING FIRMS

DOES SIZE MATTER?
Acknowledgements

This research report has been produced independently by the authors, and the views expressed are those of the authors.

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The perception and reputation of Britain’s professional classes, and the nature of professional engagement with clients, is in a state of flux.

Behaviours, practices and standards which were once rooted in a trusting informality, the conventions of self supervised rules and penalties, and subjective hierarchies, are being radically scrutinised and reformed.

Events in the public and private sectors: the series of professional scandals, have questioned the efficacy of the past, creating a new forceful movement of enquiry, admonishment and reform within most of the United Kingdom’s professional bodies.

The currency of the surveying profession: the assets of land and property, are a fundamental component of Modern Britain, an aspirational commodity which is a core component of the economy, whose operation and trading demands the highest possible standards and practices. The surveying profession has weathered this storm with relatively few wounds, but its introspection has been led by an evidenced-based approach, analysing its practices and behaviours with a questioning of its ethical practices, and how these impact the outcomes of its clients and partners.

An accumulation of research, led by CEM in partnership with the RICS and concluding with this report, has analysed the performance of the surveying profession in this regard, with encouraging results. The CEM research report ‘Ethics for Surveyors’, published in 2009 by the RICS, investigated professional ethics in multidisciplinary real estate practices. Critical and yet supportive, this report argued that a tension between corporate culture and professional culture determined ethical behaviour, but crucially this research report concluded that different determinants were at play between large and small firms. Hence size appeared to count in the ethical practice of surveyors.

This new research report investigates this question, exploring the extent to which differences in approach to ethical issues exist between small and large firms. Engaging with the profession, this research will enable discussion and widen the debate about ethical practices and behaviour right across the surveying profession.

This final report in this series represents the conclusion of our contemporary research into surveying ethics. The College will now utilize all of its research into ethics, building upon our 90 year tradition of professional education, to enlighten our academic offer for all of our students and for those new recruits who wish to enter the real estate and construction professions.

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The College of Estate Management (CEM) report ‘Ethics for Surveyors’ [Plimmer et al. 2009] revealed variation in standards between firms and areas of business. It identified a perception among individuals working in large UK surveying firms that there exist major differences in the ways in which large and small firms reflect on, promote and manage professional ethical standards and encourage staff to deal with ethical dilemmas within their organisations.

The present research by CEM, sponsored by the Royal Institution of Chartered Surveyors (RICS) Education Trust and the Guy Bigwood Trust, set out to explore whether there are indeed differences of approach between small surveying practices (fewer than six chartered surveyors) and large firms (more than 10 chartered surveyors) as to how they:

- promote ethical behaviour within their organisations;
- deal with ethical dilemmas faced by their staff;

**THE RESEARCH FOUND:**

- There are differences in the way ethics are managed and communicated in small and large firms, but these differences of approach reflect their different characteristics and needs and do not imply differences in standards.
- The firm’s ethical culture is defined by the attitudes, norms and values of those at management level, and is not dependent on size of firm.
- Surveyors’ ethics relate to age and experience and are affected by the culture of the employing firm, but not size of firm.
- Therefore ethics need not only to be taught as part of professional education, but revisited through lifelong learning within a surveyor’s career.
- The principles-based approach to regulating ethics adopted by RICS makes implicit that people and firms do things differently, but the same standards of performance should nevertheless be demanded. Regulation and policing should therefore target poor performers.
- Working for a firm with a poor reputation can adversely affect the career prospects of young surveyors, and this group is most concerned about the enforcement of good ethics.
The research involved a literature review, a questionnaire sent to all members of the RICS Commercial Property Professional Group in July 2009, and a focus group attended by nine participants drawn from small and large firms in November 2009.

“Working for a firm with a poor reputation can adversely affect the career prospects of young surveyors”
Introduction

The story of ethics and the right of life.
1.1 WHY ETHICS ARE IMPORTANT NOW

Recent outrage over MPs’ abuses of expenses and the bonus culture in the banking sector mean the days of the public’s reliance on professions and professionals to be both trustworthy and to ensure the highest standards of service are well and truly over. Mounting commercialisation, economic pressures, an increasingly litigious public and headlines in the media of scandals involving the failure of individual and corporate professionals, coupled with demands to satisfy often conflicting needs, have all combined to undermine the status of the professions in the eyes of the public, clients and governments (see, for example, Pratt 2009). As Teo argues:

‘The present global economic crisis brings into sharp focus the very professionalism, excellence and ethics of professionals the average population depends on and trusted, not only in the commercial and financial realm, but at all levels of the economy and society.’ (2010: 6)

Indeed, to Louis Armstrong, CEO of the Royal Institution of Chartered Surveyors (RICS), the current economic downturn ‘... has really put a focus on standards, on competence and on regulation’ (Pratt 2009: 21).

Surveyors are professionals whose expertise involves a range of skills relating to land and buildings – a highly valuable, relatively permanent, often finite and extremely visible and unique resource. Apart from the monetary value of these assets, the long-term implications of surveyors failing to provide an objective, professional and responsible service is immense and incalculable for our built environment in terms of physical sustainability and economic and social stability. As Teo (2010) argues, it is therefore important to consider professionalism and ethics within the surveying profession.

1.2 ETHICS FOR SURVEYORS

The College of Estate Management (CEM) research report ‘Ethics for Surveyors’ published in 2009 by RICS (Plimmer et al. 2009), investigated professional ethics in multidisciplinary UK real estate practices.

The research involved an analysis of an online ethics debate that took place in July 2007 and which was open to students enrolled on CEM’s Graduate Development Programme, a route for non-cognate graduates in relevant employment to qualify as chartered surveyors in real estate and construction disciplines (CEM ethics student debate), and semi-structured interviews with individuals from large real estate firms.
The research highlighted how high ethical standards are essential to maintaining the reputation of individual surveyors, firms and the wider profession. There was, however, evidence of significant ethical issues in surveying practice and variation in standards between firms and areas of business, driven by competitive and commercial pressures. Nevertheless, large firms expected all their professional staff to exhibit the same high level of ethical standards, regardless of age and experience, and the research found that corporate culture in these firms was more important than professional culture in determining ethical behaviour. A perception also existed among new graduate entrants to the profession that RICS needed to do more to enforce ethical standards. The research also showed how education is ideally placed to raise awareness of ethical issues and to structure and manage the ethics debate.

The analysis of the interviews with individuals in large real estate practices identified a perception that ethics are managed differently in small firms. Indeed, when recruiting qualified surveyors, large firms tended to prefer candidates from large employers which, from their viewpoint, adopted similar ethical standards to their own and ‘speak the same language’. This viewpoint suggests that the culture of firms which surveyors work for early in their careers influences the ethical standards they acquire and subsequently affects their future career prospects.

The majority of chartered surveyors in private practice work in small firms with fewer than six chartered surveyors (38%) or are sole practitioners (44%). Therefore, if differences in standards exist they need to be examined and explained so that appropriate steps can be taken regarding education, training, regulation, enforcement and the dissemination of best practice that is relevant to the small firm environment. This approach is needed to ensure that all chartered surveyors observe and are seen to observe the highest ethical standards, regardless of the size of firm in which they work.

It is against this background that the research presented here was undertaken, to explore whether differences of approach to ethical issues exist between small and large UK surveying firms and to recommend what measures, if any, are needed to address these differences.
1.3 FOCUS AND SCOPE OF THE RESEARCH

In light of the earlier research, the aim of this research is to investigate whether there are differences of approach between small surveying practices (fewer than six chartered surveyors) and large firms (more than 10 chartered surveyors) in the UK as to how they:

- promote ethical behaviour within their organisations;
- deal with ethical dilemmas faced by their staff;
- ensure compliance with RICS’ 2007 principles-based *Rules of Conduct*.

In addition, the research seeks to establish whether firms have particular needs for RICS support and educational requirements to enhance their existing resources, including specific continuing professional development (CPD).

1.4 METHODOLOGY

The research involved:

- A review of relevant literature. This included comparative studies relating to other professions, to identify any guidance to the relative situation between the way small and large firms manage ethical issues, as well as how other professional associations view their responsibilities to different sizes of member firms. Literature reflecting the resolution of ethical dilemmas and the culture of organisations and professions was also involved.

- An online questionnaire sent in July 2009 to all members of the RICS Commercial Property Professional Group;

- A focus group attended by nine participants drawn from small and large firms in November 2009.

1.5 REPORT FORMAT

The report comprises the following sections:

Section 2 - Ethics in surveying – comprising the literature review
Section 3 - Ethics in practice – the questionnaire and focus group results
Section 4 - Conclusions and recommendations
Section 5 - References
2 ETHICS IN SURVEYING
2.1 INTRODUCTION

This section reviews the available literature on ethics for professionals, including what little literature is available specifically for surveyors. It argues that the development of ethical standards starts with the individual and traces the way in which values and characteristics associated with ‘good’ ethics contribute to business success and have been incorporated into codes of conduct introduced by RICS in 2007. The importance of the culture of the employer is discussed, and this leads into a debate on the differences between how small and large firms ensure ethical behaviour and handle ethical dilemmas.

The section is arranged under the following headings:

• Individual ethics and education
• Ethics in business
• The influence of firms’ culture
• The case for and against codes of ethics
• RICS codes of conduct
• Ethics in small and large firms
• Summary

2.2 INDIVIDUAL ETHICS AND EDUCATION

The CEM report ‘Ethics for Surveyors’ [Plimmer et al. 2009] demonstrates how professional ethics stem from the culture, norms and values experienced through everyday life, whether at home, at school, within communities or in the workplace. ‘Culture’ is defined by Hofstede (1991: 5) as ‘the collective programming of the mind which distinguishes the members of one group or category of people from another’, and at the core of culture are the values which underpin behaviour. Hofstede (2001) also asserts that individuals’ mental programming, and therefore their values, is developed within the family in early childhood and reinforced in schools and other organisations. Culture is, therefore, a combination of individual (personal/family), educational and environmental influences, and organisational experiences, including those gained through professional education, training and practice.
Harris (1998) highlights evidence from Australia to suggest that university students are receptive to education programmes designed to develop moral judgement. Wolverton and Wolverton (1999: 102) also argue that '[p]rofessional education, university business programs, and real estate training opportunities must strive to instill in students and members the ability to define values (individually and collectively) and learn habits that foster integrity and moral behavior.'

Trompenaars (2003: 196) distinguishes ‘core values’ from norms, where core values are inherently aspirational and virtually impossible to demonstrate in day-to-day activities, whereas ‘norms’ are based on an innate sense of ‘right’ and ‘wrong’. Thus, individuals who qualify into a profession are equipped in advance with a set of ethical values of their own, which are derived in part from their personal background, their national culture and their pre-qualification education and training.

As regards entry to the surveying profession, Page (2005) reflects on whether individuals choose a profession that matches or at least accommodates their personal values, habits and attitudes. He goes on to ponder whether such values and attitudes are fostered by the university teaching process or during induction into the firm at the beginning of their career. He concludes that '[t]he role these societal dimensions play in the selection process for the future professional is dependent on the individual characteristics' (ibid.: 105–106). He also comments on the ‘informal part of professional education’ (ibid.: 106) which influences the ethical stance of vocational students, through which they learn about appropriate professional behaviour and attitudes, attain a sense of belonging and develop a professional language which serves three basic functions, to:

- shorten communications between members of the profession;
- ease recognition among professionals and thus encourage group identification;
- maintain distance between clients and professionals.

Such characteristics are also a major part in developing and maintaining the professional culture, which is underpinned by the norms and values transmitted through vocational education as well as within professional practice. Clearly there is a role for the individual professional and the professional employer in this process. Page (2005: 111) also recognises that ‘... professional bodies are trying to socialise their new members and maintain the professional socialisation of existing members’. The regulatory role of RICS is therefore a major factor in maintaining the socialisation and the unifying culture of the profession.
However, it must be remembered that despite professional skills, the desire to achieve a certain lifestyle or the ‘mission’ which underpins a career, surveyors work in a commercial, business environment – one for which they may not have been educated initially. Promotion to managerial level may therefore be achieved on the back of technical skills, rather than through evidence of managerial aptitude (Greenway 2006).

“higher levels of education ... are not always a guarantee of higher ethical standards”

Interestingly, Medlin and Green’s research (2003) found that owners/managers without college degrees demonstrated ‘significantly higher’ ethical attitudes than those with college degrees in six of the 16 described actions in their questionnaire, being: ‘hiring key employee of competitor’, ‘gifts to purchasing agents’, ‘favouritism in promotion’, ‘misleading financial reporting’, ‘discrimination against women’, and ‘defending the healthfulness of cigarettes’. Although they point out that these findings run contrary to an earlier study by Ede et al. (2000) which concluded that education did not impact on ethical values in minority-owned small businesses, they nevertheless suggest that college degrees do not necessarily enhance ethical attitudes. Medlin and Green (2003) believe this may reflect the emphasis placed on goal attainment, particularly profit making, in most traditional business courses, and support a need for enhanced ethics teaching in undergraduate business schools. Certainly, Harris (1998) highlights empirical research that business ethics classes have little impact on business students’ attitudes and behaviours.

This conclusion is supported by other work. For example, Jennings (2000) suggests that the more educated people become, the less ethical they behave. This mirrors a similarly curious statement voiced in the CEM 2009 research report [Plimmer et al. 2009: 54] where: ‘... [some of the alleged fraudulent cases] ... nearly always involves somebody who’s in a reasonably senior position ...’. It seems, therefore, that higher levels of education and/or seniority in a firm are not always a guarantee of higher ethical standards.

Nevertheless, McCoy (2009) asserts that this is no reason not to teach ethics. He tries to teach ‘MBAs ethical awareness and ethical imagination’ because he believes that ‘It is important to have a language of ethics that we can all understand and that is clinical and non-evaluative’ otherwise discussion can be reduced to slogans and ‘worrying about protecting people’s feelings’ (ibid.: 22).
2.3 ETHICS IN BUSINESS

The literature indicates that within businesses:

- there are benefits associated with ethical behaviour, including:
  - competitive advantage and improved performance
  - maintaining reputation
  - reduced costs and financial success
  - client and staff retention;

- there is evidence of unethical behaviour.

These issues are now discussed in more detail.

2.3.1 THE BENEFITS OF ETHICAL BEHAVIOUR

Evidence for the business benefits of ethical behaviour is reflected widely within the literature, and the competitive advantages are identified as stemming from:

- clearly articulated values and beliefs
- openness and transparency
- honesty and fairness
- a climate of trust.

Within large commercial practice surveying firms, ethical behaviour is recognised as having a financial benefit, ‘... or more importantly, the absence of ethical values has a commercial cost – and sometimes that cost can be devastating ...’ (Plimmer et al. 2009: 56). Ethical standards and professional reputation are also perceived to be interlinked and surveyors are concerned about ethics ‘... because our reputation is what keeps us at the forefront of the marketplace’ (ibid.: 41).

It is widely recognised that, in the long term, ethical companies are more successful than unethical ones. Harris (1998: 6), drawing on the work of Bowie and Vaaler (1996), also asserts that:

‘... the ethical climate of an organisation is a knowledge-based asset which cannot be reduced to writing and which cannot be bought and sold. But it can be exploited by the organisation in its dealings with clients, customers and employees. It is commercially valuable.’
Accordingly, therefore, an ethical culture within an organisation ‘... can serve as the basis of durable competitive advantage’ and making profits is the fundamental responsibility of a firm which, in that way, meets its obligations to society (Galbreath 2006: 18; see also Sims 1992; Greenway 2002).

However, Galbreath (2006) distinguishes profit making as a social responsibility from the way a firm generates profits. He suggests that financial performance and ethics can and should be combined, recognising that honesty and trust reduce transaction costs. Further, ethical profit-making strategies

‘... are predominately based on and have as a major emphasis innovation, efficiency/cost reductions and creating customer value. These features are ultimately focused on societal benefit [if not firm survival] rather than on manipulation and control of markets and the undermining of competition for personal gain ...’ (ibid.: 18).

Within a business context, there are therefore clear arguments for being entirely and openly ethical. As Nicholson (2005) reports, investing in an ethics policy costs much less than what unethical behaviour might cost a firm.

“honesty and trust reduce transaction costs”

The argument for firms being seen to act ethically through adopting clear values applied consistently is supported by Harris (1998), who asserts that such organisations are likely to be outstanding performers, and by Greenway (2002: 9) because such companies ‘... will not put themselves in positions which later become compromising and need time and effort to resolve’. The pathway to successful business through ethical behaviour is neatly summarised by Kidder (2006) who, having reviewed a number of research reports, concludes that promoting fairness, caring and trust creates an ethical climate, which breeds workforce loyalty and therefore increased retention, which in turn means significant bottom-line savings.

Kidder (2006) reports on a survey by the Ethics Resource Centre in Washington, DC, which found that nearly one third of employees witness unethical conduct at work, and that a key factor as to why they continue to work for their firm is the organisation’s concern for ethics. Indeed, he reports on a study that found that young executives ranked values and culture above pay. He also refers to a study by the Hudson Institute which reported that high ethical standards result in more committed employees.
It is also clear that treating clients ethically is one of the best ways of retaining them (Zweig 2000), and that a firm’s reputation with its clients and suppliers, and its culture, also represent a valuable and intangible asset within its portfolio (Greenway 2002).

According to Greenway (2000), the course of action in resolving conflicting standards and tensions between commercialism, professionalism and ethical behaviour will be determined by the ethical stance of the individual, rather than the firm or the professional association. The individual therefore needs to be convinced that principled decision making is compatible with profitable decision making in the wider sense, because, as Nicholson (2005) found from a senior vice president of a US construction company, although making the right decision sometimes costs cash, it also increases your credibility. However, Medlin and Green (2003) cite a 1977 study by Brennan and Molander which reported that although managers felt that upholding ethical standards was good business, if need be they would be unethical.

2.3.2 EVIDENCE OF UNETHICAL BEHAVIOUR

In terms of unethical behaviour, conflicts of interest are identified by Bell et al. (2005: 4) as being the cause of ‘… financial harm and injury to millions of innocent people’ and they ‘… have helped undermine the public’s faith and confidence in numerous institutions …’. They argue that conflicts of interest ‘… are quite possibly the major obstacle confronting effective management today’ (ibid.: 7).

A study across the USA, tracking integrity in the workplace (Marr 2007), revealed that less than half (49%) of working adults believed that their senior executives are people of high integrity (an increase of only two percentage points on 1999), only 56% felt that integrity policies had been well communicated in their organisation, and 55% felt that there is little pressure to cut corners on ethical or compliance issues. The percentage which reported their firms as ‘highly ethical’ was unaltered from 1999, at 59%.

Of some concern is that 54% cited at least one act of ‘misconduct’ which they were personally aware of. Such acts included lying to supervisors (26%), ‘fair’ (presumably unfair) treatment of employees (26%), improper/personal use of company resources (21%), conflicts of interest (20%), stealing (19%), lying on reports (18%), and sexual harassment (18%). About three quarters of those who acknowledged such incidences in the research had not reported them because of lack of evidence; cynicism of management responding to such a complaint; fear of repercussions; or because they did not perceive it to be their responsibility to do so.
As regards construction professionals, Pearl et al. (2005) investigated unethical practices among architects, quantity surveyors, consulting engineers and contractors in South Africa. Their findings revealed that 88% of quantity surveyors had observed or experienced collusive tendering and 41% had experience of or had observed instances of fraudulent behaviour. The authors argue [ibid.: 8] that one of the problems is that certain aspects of ethical behaviour involve ‘... a personal interpretation of whether or not certain behaviour is commonly acceptable, rather than if it is illegal’, and conclude that ‘... the various construction professionals exercise different ethical standards in their normal working lives’ [ibid.: 13].

According to Johnson (2009) ‘Experience shows that fraud thrives in adversity, particularly where valuation and fees are concerned’ (p17) and the commonest frauds in the property market are related to valuation, applicant status, resale and collusion. Levy and Schuck (1999), undertaking research in New Zealand, reported that, under certain circumstances, clients had been able to influence valuers through applying both explicit and implicit pressure, including reward/coercive power and information power to effect a change in reported values. In the UK, an exploration of valuation issues by Crosby et al. (2009) found that while the recent property market downturn has focused attention on valuers, the pressures they face occur regardless of market conditions. This is because the valuation process allows high levels of interference by clients, ranging from valuer selection to the discussion of ‘draft’ valuations prior to issue. Thus, while valuers should aim to be objective and independent, they can be subject to pressure from other stakeholders who have a vested interest in a deal proceeding rather than in its sustainability.
The 2009 CEM research found that within large surveying firms the culture of the employing organisation was viewed as critical in establishing, maintaining and managing the ethical behaviour of its staff and thereby its reputation.

It is clear that the personal ethical views and standards of individual employees are fundamental to how they will act or react, both to externally imposed codes of conduct required by a professional body and also within the culture of their employer organisation. Such ‘personal values’ act as a filter through which individuals respond to dilemmas as well as to the day-to-day decisions required [Greenway 2002: 10]. According to Bommer et al. (1987, cited in Medlin and Green 2003), in addition to individual attributes, environmental (including professional, personal, work, legal and social) factors also influence ethical behaviour.

It is therefore extremely important that the personal values of the individual, of the employer and of the professional body all work in harmony. In this way, the employer has confidence in the quality and nature of the decisions taken by the individual; the professional body [and all its membership] has confidence that the reputation of the profession is maintained [and ideally enhanced]; and the individual continues to feel comfortable in both the profession and the employer organisation [see Greenway 2002].

However, such a culture, and therefore ethical behaviour, does not simply materialise out of thin air, but instead has to be managed (Dillman 2000). To both Greenway (2002) and Richards (2003), it is business leaders/managers who set the firm’s culture and who need to ensure that it is communicated to staff. As Richards argues:

‘It’s important for business managers to create a culture that guides and reinforces employees as they make decisions and choices each day. ... Importantly, this is true regardless of the size of your firm. ... The responsibility to investors is the same, but the methods that firms employ to assure compliance may differ.’ (2003: 3)

Clearly, management systems can encourage appropriate behaviour by communicating what is expected of employees both within an organisation and externally to other stakeholders. However, it is leadership from the top which directs and articulates what that acceptable behaviour is [Greenway 2002; Nicholson 2005]. As Liu et al. (2004: 446) argue,

‘... it can be seen that the organisational/industrial culture and norms have major influences on surveyors’ behaviours. ... Especially when there are no ethical codes in the organisation, an ethical management culture is regarded as a means of protecting interests for fellow organisation members’.
Sims (1992: 510) similarly states that ‘[w]hat top managers do, and the culture they establish and reinforce, makes a big difference in the way lower-level employees act and in the way the organization as a whole acts when ethical dilemmas are faced’. Wolfe (1988, cited in Sims 1992) argues that managers can develop ways of thinking (often unconsciously) that foster unethical behaviour, and Jansen and Von Glinow (1985, cited in Sims 1992) state that organisations have a tendency to develop ‘counternorms’, practices that are contrary to prevailing ethical standards but that are accepted within an organisation. Indeed, Sims (1992) is of the opinion that some firms recruit and promote employees who have values consistent with those of the firm.

According to McCoy (2009), there are two main components to good leadership: authenticity and trust. Authenticity involves a leader living ‘honestly, even adventurously and eccentrically’ and not leaving ‘his or her character at home’ (ibid.: 21). This is important to engendering feelings of personal well being, accomplishment and integrity shown to be strong drivers in attracting and retaining long-term employees who identify with the vision and values of an organisation. Further, ‘Organisations which consistently live out a set of strong values tend to attract like-minded customers’ and a trusted leader will take on ‘clients with value systems congruent to those of the firm’ (ibid.: 22) and turn down those whose values are more questionable.
2.5 THE CASE FOR AND AGAINST CODES OF ETHICS

One method of communicating an organisation’s ethical standards is through formal written codes of ethics. The literature generally suggests both benefits and concerns associated with such codes, and provides an insight into how and why codes are important. The benefits cited tend to revolve around binding members of a profession together and projecting a positive public face. The concerns include the view that rules do not change culture and may undermine rather than promote public trust.

This section therefore looks at:

- What are codes of ethics?
- The benefits of codes of ethics.
- Difficulties with codes of ethics.

2.5.1 WHAT ARE CODES OF ETHICS?

A code of ethics stems from the principle that basic rules can be used to establish the right or wrong of actions. To Dienhart (1995), a code of ethics constitutes a contract between professionals and the profession, or the profession and society. According to Liu et al. (2004), research shows that ethical codes are implemented most effectively in the public sector, while their existence is less clear and often used more for image purposes in the private sector. Codes of ethics take two basic forms: ‘rule ethics’ and ‘social contract ethics’.

Implicit in rule ethics is concern with procedures, and the fairness (or otherwise) of the outcome is judged entirely by the fairness (or otherwise) of the process (Wolverton and Wolverton 1999). Such regulations are relatively easy to apply because adherence is a clear matter of fact and there is no room for judgement (Brown 1990).

Distinguished from rule-based ethics are judgement-based or social contract ethics, reflecting rules to which people freely agree based on reason and knowledge (Wolverton and Wolverton 1999; see also Atkin 2003). Legitimacy of such a code stems from its voluntary acceptance by a group of individuals and not from its imposition by, say, an employer, regulating authority or professional association. The difficulty with judgement-based values is that there are potentially different interpretations by different individuals in different circumstances, leading to inconsistency in outcome. This makes it difficult to produce a coherent and demonstrable standard of ethical behaviour that can be regulated, but which may well reflect elements of pragmatism and reality.
2.5.2 THE BENEFITS OF CODES OF ETHICS

Teo (2010) argues that public confidence and trust in professionals can, in part, be attributed to the existence of codes of conduct. According to Liu et al. (2004: 447), ‘[o]rganisations should consider expending more effort to promote ethical codes as they seem to have a positive effect on ethical behaviours’. Sims (1992) also advocates the use of formal processes such as codes of conduct as a way of promoting ethical behaviour within firms.

Dienhart (1995) suggests that one of the most important things that a code can do is to show professionals that ethical values constitute the core or foundation of their profession; in other words, they define the profession, which allows those considering entering it to think about what they are getting into. Both Teo (2010) and Dienhart (1995) also argue that codes assist those who are pressured to act unethically.

Consensus is an important feature of a professional code as it helps to ensure its recognition and acknowledgment (Homann 1999). This is particularly true for a professional body where the profession itself is effectively the sum of its membership component. Any ethical characteristic which is not instinctive or innate in its membership is both inappropriate and unlikely to be respected. The code therefore is entirely consistent with the nature of a professional association in encouraging member support for the group and discouraging behaviour that tarnishes the reputation of the organisation and devalues the benefit of membership for all (Wolverton and Wolverton 1999).

2.5.3 DIFFICULTIES WITH CODES OF ETHICS

Not all the literature supports the view that codes of conduct are necessary to improve ethical behaviour within a firm. Indeed, Longenecker et al. (1994: 8), based on responses to a questionnaire in the United States of ethical perceptions in firms, reported ‘... no connection between ethical perceptions and the use of written codes’.

Many researchers recognise inherent difficulties with codes of conduct. Three objections to ethical codes for professions are presented by Dienhart (1995):

- Ethical codes are conceptually and ethically incoherent, partly because one of the fundamental characteristics of being a professional is autonomy, which is challenged by the very existence of a prescribing code.
• Ethical codes are not effective because:
  ○ they cannot influence behaviour;
  ○ it is not possible to design a code which is general enough to cover all possible situations, and codes designed to encourage judgement make accountability difficult.

• Ethical codes promote unethical behaviour by:
  ○ omitting important kinds of ethical problems, and thereby failing to ensure ethical conduct in these areas;
  ○ protecting professionals rather than the public whom the professionals serve.

No matter how well constructed, a professional code, particularly one unaccompanied by top management commitment, effective disciplinary processes, and training will not bring about cultural and behavioural change [Sims 1992; Wolverton and Wolverton 1999; Harris 1998; Teo 2010]. It is a drawback that only minimal standards are prescribed by rules and laws which focus on how not to act rather than on how to act (Gough 1997). According to Greenway (2002: 10), ‘actions are much more significant in determining ethical culture than any code’.

An even more dangerous outcome occurs if compliance with rules, rather than reliance on professional judgement, is used as ‘proof’ of ethical behaviour.

According to O’Neill (2002), guarantees of proofs render trust redundant. Yet ultimately we require both the guarantees and professional judgements, although there is uneasiness as to how the two can co-exist.

According to Brown (1988, cited in Dienhart 1995), rational judgements can be made in the absence of rules. He argues that experts can make defensible and reliable non-rule-guided judgements in areas about which they have both a body of background knowledge and a body of information relevant to the case in hand. It is the expert’s reliance on relevant information that distinguishes rational non-rule-guided judgements from guesses and non-rational preferences.

Finally, codes are seen as being used by professional bodies to demonstrate the ethical conduct of their membership. However, as Atkin (2003) identifies, there is a tension in drafting codes of ethics between producing detailed rules to cover all situations and laying down general principles for practitioners to interpret. This tension arose in the US between the Federal Accounting Standards Boards, which favoured rules, and the International Accounting Standards Boards, that preferred general principles.
In delivering the Reith lectures in 2002, O’Neill (2002) suggested that an increase in regulation, control and monitoring within UK professions has evolved to combat a perceived breakdown in public trust. However, she questioned the value of developing a ‘culture of accountability’ and concluded that, rather than increasing public accountability, as anticipated by the theory, ‘... the real requirements are for accountability to regulators, to departments of government, to funders, to legal standards’. Her concern was that the professions are focusing on performance indicators that provide ‘... ease of measurement and control ...’ rather than because they measure accurately the quality of performance.

She argued that this approach often obstructs rather than supports proper professional aims, producing perverse ‘... incentives for arbitrary and unprofessional choices’ and leading to a culture of suspicion and low morale that may ultimately lead to professional cynicism. Similar concerns are discussed by Dienhart (1995: 427), who identifies a number of criticisms of codes of conduct, one of which is that ‘... they promote unethical behavior, because the true aim of such codes is to serve the interests of those who write them, not to promote the welfare or protect the rights of vulnerable parties’. Given that codes are inevitably written by those who are then subject to them, it is easy to see how scepticism as to their effectiveness can develop outside and within professions.

The use of mission statements, guidelines or codes of ethics, whether developed and imposed by an employer organisation or by a professional body, may be considered an important, public and explicit statement of ethical standards and behaviour. However, their existence alone does not ensure ethical behaviour. It is within their implementation and enforcement that their effectiveness is assured (Nicholson 2005). Liu et al. (2004: 443) conclude that ‘identification and communication problems in respect of such codes’ are the reason why respondents to their questionnaire from within the same firm differed in their belief as to whether their organisation had an ethics code. Thus, they argue that codes of conduct must be accompanied by effective mechanisms for communication, enforcement and review.

The view on codes of conduct, then, is mixed, with a number of benefits and difficulties identified. However, Dienhart (1995) argues that, rather than abandoning codes, the criticisms cited should be used to make them stronger and more effective.
“codes of conduct must be accompanied by effective mechanisms for communication, enforcement and review”
2.6 RICS CODES OF CONDUCT

As with many other professional organisations, RICS has regulated a range of aspects of its membership for many years, within its bye-laws, regulations, rules and standards. Professional ethics are important to RICS, as demonstrated by the introduction of its *Code of Conduct for Members* in 2000 (RICS 2000a; 2000b). In 2007, RICS (2007a) introduced a revised code of conduct which, unlike the previous rule book, takes a principles-based approach, and these ethical standards contain the core values of the Institution. RICS states that through applying these 12 ethical principles ‘... members would meet the high standards of behaviour expected of them’ (ibid.: 2).

RICS provides both *Rules of Conduct for Firms* (RICS 2007b) and *Rules of Conduct for Members* (RICS 2007c). Both codes are based on the five principles of:

- proportionality
- accountability
- consistency
- targeting
- transparency.

The *Rules of Conduct for Members*, which advocate implementation of the above principles, focus on personal and professional standards, specifically:

- integrity
- competency
- service
- lifelong learning
- solvency
- information to RICS
- co-operation.
RICS (2010) states that the *Rules of Conduct for Firms* is ‘[a] proportionate and flexible approach that allows firms to comply with the rules in a way that suits their business size, the sphere in which they operate and the needs and demands of their clients’; and that the *Rules of Conduct for Members* ‘... are short, simple and principles-based, designed so that all members can follow them regardless of where in the world they practise and whatever their sphere of activity’.

The resource advantage in a principles-based code is propounded by Carsberg (2005: 14) because, in his view, it allows for regulatory resources to be ‘... refocused on areas that have a significant chance of causing actual or potential damage to the customer interest’ and recognises a need for flexibility that ‘... may enable RICS to improve public protection’ and, at the very least, represent a ‘... move towards more efficient and cost-effective regulation’.

Nevertheless, it is clear from the literature that codes of conduct alone are unlikely to be sufficient to ensure appropriate ethical conduct by RICS member firms. The previous CEM research found evidence that, within the property industry, individual employers’ approach to professional ethics varies greatly, although those taking the stricter approach are those that are RICS regulated. The majority of the participants of the CEM ethics student debate agreed that RICS has a very important role in setting ethical standards and is now doing more than before to develop and police ethical standards within the profession. However, there was a general belief that the Institution could do yet more in this area.

### 2.7 ETHICS IN SMALL AND LARGE FIRMS

The literature reviewed here provides evidence for differences between small and large firms in terms of:

- culture and communication
- pressures to act unethically
- attitudes towards acting ethically
- the relevance and application of ethical codes.

According to the Office of National Statistics (ONS 2009), in the UK in March 2009:

- 24.4% of businesses were sole practitioners, and 13.5% partnerships;
- 88.7% of all enterprises had fewer than 10 employees;
- 98% had fewer than 50 employees.
Among RICS members of the Commercial Property Professional Group surveyed for this research (see Section 3), 44% are sole practitioners and a further 38% work in small firms with fewer than six chartered surveyors. Small businesses in the UK are therefore the major employers, and are particularly prevalent in surveying practice.

Despite the high representation of small firms in the economy, research in business ethics has tended to focus on large organisations. Ethics in small firms are not well researched, and sectoral studies focusing on specific professions or industries are sparse (Longenecker et al. 1994; Medlin and Green 2003). However, greater research attention is starting to be paid to ethics in small firms.

Literature on the ethical environment of small firms stems largely from the USA, where they are also a significant sector, with 99% of businesses classified as small by the Small Business Administration (Medlin and Green 2003). The literature also mainly relates to ‘business’ in general rather than any particular sector, although there is some focusing specifically on accountancy/financial advisers.

### 2.7.1 CULTURE AND COMMUNICATION

The previous CEM research found that employees in large firms relied on the support of colleagues in helping staff deal with ethical issues. In some cases, managers or a designated officer within the firm were available for guidance, and there was a clear reliance placed on the culture within the employer company to encourage and develop both ethical standards and ways of dealing with ethical dilemmas. Openness and reliance on individuals disclosing issues of concern were identified as important in resolving ethical issues in most firms, and ethical standards were communicated to new staff through awareness raising and setting a good example. As Atkin (2003: 50) asserts:

‘On a practical basis and as a rule of thumb, individuals usually handle ethical dilemmas better by sharing dilemmas with colleagues at work, in their profession, in their own agencies and associations locally and internationally.’
In part, it was implied that smaller firms will not be able to adopt this approach to resolving dilemmas because there are fewer professionals employed and therefore limited opportunities either to develop or inculcate such a culture or to explicitly demonstrate appropriate ethical standards. This perception may be considered as an inevitable consequence of having fewer colleagues to turn to for advice and support. There was also a perception that surveyors in smaller firms do not have the same ethical standards because they have to ‘live by their wits’ to a greater extent than those in larger firms, in order to make a living. The study also revealed the suggestion that smaller firms are likely to be more vulnerable to pressure from large clients, regardless of the economic climate, because of the local nature of their business as well as its size and potential specialisation.

Interviewees from large firms repeatedly made reference to their employers’ corporate culture and its importance both for ethical standards and for dealing with ethical dilemmas, and several observed that, in their view, surveyors in small firms deal with ethical issues in a different way. Indeed, it is recognised that management practices in small firms reflect to a greater degree than in large firms the personality and outlook of the entrepreneur (Moore 1989).

This perceived difference in culture was cited in our previous report as a reason why surveyors who had worked in small firms may well find it difficult to get a job in a large firm. This was implicit in the discussion about the pressure which clients might exert on professionals. Indeed, according to its Vice President, at Hansel Phelps ethics is a key consideration when hiring, with very few people being hired to important positions who are new to the company and may not understand its ethics (Nicholson 2005). Instead, the firm prefers to hire at the entry level and instil its ethics right from the outset.

2.7.2 PRESSURES TO ACT UNETHICALLY

Medlin and Green (2003) investigated the ethical attitudes of small business owners and managers in US firms with fewer than 100 employees. The survey examined the impact of gender, experience, education (degree level or not), religious beliefs and age on ethical attitudes, and achieved 98 responses. Among the respondents, 83% were business owners and 17% business managers. Most worked in professional services (28%), retail (22%), manufacturing (10%) and personal services (10%). The research found that most small business owners/managers did not feel compelled to act unethically, but a significant proportion felt pressure to act in a less than ethical manner. Practitioners in small businesses felt particularly vulnerable because they faced different pressures which affected how they managed ethical issues for a number of reasons, including intense competitive pressures and limited resources.
Among audit firms, Lewis (2007) reports on the views of Eric Kench, Chairman of the Practice Society, who argues that it is the auditors in small firms, and particularly sole practitioners, who are most vulnerable to unethical pressures. He highlights the fact that small firms lack the budget available in larger firms to run helplines, hire ethics officers, and design and implement ethics policies.

Longenecker et al. (1994: 7) argue that:

‘Professionals in small businesses may feel various competitive pressures to engage in unethical behavior. In some cases, they may believe that the survival of their firm requires ethical compromises which they would not otherwise make. Alternatively, they may be faced with unethical behavior on the part of competitors and be tempted to act in the same way.’

Their study found that the most common ethical dilemmas faced by respondents in small firms relate to:

- copying a copyrighted computer program from a friend;
- discrimination in promotion and hiring;
- the giving of gifts/bribes.

The authors observe:

‘That ethical dilemmas regarding promotion and hiring should arise frequently in small businesses is not surprising. In a small firm, employees are likely to know each other and to be aware of situations in which favoritism is shown. Also, in a small business environment, the ability of workers to work together is likely to be a matter of great importance and to be an overriding consideration in the hiring process.’ (ibid.: 6)

One third of the respondents to their questionnaire indicated experiencing slight or extreme pressure to act unethically, although Longenecker et al. recognise the possibility that there may be a positive relationship between the stringency of a person’s ethical standards and the degree of pressure that that individual feels to engage in unethical behaviour. They also highlight the positive fact that two thirds of the respondents reported feeling under no pressure to act unethically. Nevertheless, they recognise that this high level of response is ‘far from ideal’. There is evidence of pressure on different kinds of surveyors to act unethically, but not specifically linked to size of firm.
2.7.3 ATTITUDES TOWARDS ACTING ETHICALLY

Kidder (2006) reports on research which found that employees of small organisations were more likely than those of medium or large firms to agree that their company was ‘highly ethical’, was led by a person of ‘high personal integrity’, and that management helped to interpret and apply values. The research also indicated that employees of small firms feel more confident in reporting misconduct.

A number of potential variables to ethical attitudes were investigated by Medlin and Green (2003) in their review of earlier research into ethics in small business. They report evidence that small business owners/managers professed attitudes that were more ethical than unethical, but there were differences of views according to individuals’ levels of experience in the following areas:

- providing gifts to purchasing agents – where the least experienced were significantly more tolerant than the more experienced;

- favouritism in promotion and acquiescing in dangerous design flaws – where the least experienced were significantly less tolerant than the more experienced;

- misleading financial information – where the most experienced were significantly less tolerant.

While the authors conclude that experience had a bearing on whether respondents accepted or rejected certain actions, ethical attitudes were also dependent on specific practices or situations. They also found that younger respondents (those in the 21–30 age group) had significantly lower ethical standards regarding misleading financial information, which Medlin and Green ascribe to the survival pressures faced by young small business owners.

Greenway (2002) also recognises that professional surveyors running small firms must fill the dual roles of expert and businessman, although they will often view the business aspects as a means to an end in which they have less training, interest or experience. As he observes:

‘The need for all-round skills in management and business is brought into stark relief for surveyors running small companies, where they will often be unsupported by experts and where advice from professional consultants may be beyond budgetary reach.’

(ibid.: 2)

On this basis, it seems inappropriate to apply practices and solutions which work for large businesses to smaller businesses.
The discussion in Section 2.5 implies that because large firms can afford codes of ethics and written systems for dealing with ethical issues, they must be more ethical than small firms. However, Nicholson (2005) reports on the views of Les Hunkele, ‘an ethics expert’ asked by the Construction Management Association of America in 2005 to deliver ethics presentations to members, who argues that the absence of a formal ethics policy does not necessarily signify a lack of concern for ethics.

Wider evidence for the application of ethics codes and their relevance is quite varied. On the whole, large firms have more formalised ethics and compliance programmes, whereas small firms may take business risks by not always observing regulatory requirements in the form of documentation. While Richards (2003) argues that good documentation is a requisite for good compliance, the counterview is also expressed that increased regulation creates more work and rarely solves the underlying problem (Ware 2000).

Nicholson (2005) also reports that, among construction firms, while large firms tend to have established codes of ethics, guidelines and mission statements, others have adopted less formal policies and manage ethics through personal contact within the firm. The problem arises, he argues, when companies grow and personal contact is lost, at which point firms adapt by creating in-house training, often hiring experts to establish a programme or write and disseminate a code of ethics.

Widespread recognition of the informality of management policies and practices among small firms is also reported by Longenecker et al. (1994). However, their research found that ‘[e]ven though there is a substantial difference in the usage of written codes at different size levels, there was very little evidence of significant differences in their ethical perceptions’ (ibid.: 8).
2.8 SUMMARY

This section has reviewed a wide range of literature on ethics for professionals, discussing the ways in which standards are influenced by individual (personal/family), educational and environmental (for example, firm, profession) factors. It has provided evidence to suggest that such standards are not affected by size of firm, despite there being arguably more, or at least different, pressures on employees of small firms to act unethically. The literature indicates that small firms lack the budget available in larger firms to run helplines, hire ethics officers, and design and implement ethics policies, and that the method of communicating ethical conduct across the firm does vary according to the size of firm.

The section has highlighted the widespread view that firms demonstrating high ethical standards benefit financially from an enhanced reputation and a competitive advantage, as well as from greater client and staff retention. However, at the same time, there is the pressure to cut corners and take risks for extra gain, and the literature provides evidence of poor ethical behaviour. This is particularly an issue confronting managers, who are charged with acting professionally while at the same time ensuring the financial stability of the firm.

Indeed, the literature identifies managers/business leaders as those who perform the key role in setting and maintaining the company culture and ethical standards. In turn, it is widely recognised that the culture of the employing organisation is critical in establishing, maintaining and managing the ethical behaviour of its staff. In other words, it is leadership from the top that directs and articulates what acceptable behaviour is, and it is argued that this is true regardless of size of firm.

It is widely acknowledged, however, that the method of communicating the firm’s culture does vary according to size of firm. Large firms tend to use formal written codes of conduct, while these are less frequently used in small firms. However, as a number of commentators profess, the absence of an ethics policy does not necessarily signify a lack of concern for ethics. Indeed, as well as highlighting a number of benefits associated with formal codes of conduct, the literature also documents a number of difficulties with such codes.

In addition, the literature suggests that age and/or experience shapes individuals’ values. There is evidence of differences of views and levels of tolerance according to individuals’ levels of experience in a number of areas, namely ‘providing gifts to purchasing agents’; ‘favouritism in promotion and acquiescing in dangerous design flaws’; and ‘misleading financial information’.
“it is leadership from the top that directs and articulates what acceptable behaviour is ... regardless of size of firm”
ETHICS IN PRACTICE

3
3.1 INTRODUCTION

Drawing on the responses received to a questionnaire sent to all members of the RICS Commercial Property Professional Group in July 2009 and on a focus group attended by nine participants drawn from small and large firms in November 2009, this section discusses the way in which ethics are managed by commercial real estate firms in the UK, with a particular focus on whether the approach differs according to size of firm. The main conclusion from the section is that it is the firm’s culture set at management level, rather than size, that determines ethical standards, whereas size is only an influencing factor in relation to the way ethical issues are communicated internally.

The section is split into seven sub-sections as follows:

• The questionnaire response, including the characteristics of respondents.

• Pressures on ethical standards, and whether pressures vary by size of firm.

• Managing ethical issues, looking at the extent to which formal protocols or guidance are used, views on their value, the significance of company culture in determining ethical standards, and how communication of standards varies by size of firm.

• Ethical standards set by RICS, examining their importance and variations in attitude towards these standards according to length of experience as a chartered surveyor and the size of the employing firm.

• Ethics and personal characteristics, reflecting in more detail on how ethical views differ according to experience; the important role senior colleagues have on shaping the views of less experienced surveyors; and evidence that surveyors new to the profession must choose their employer carefully because working for a firm that is perceived to have questionable ethical standards can severely hinder their future career.

• Expectations of professional surveyors, in terms of the importance of doing what is right for the client, what is right for the employer, what is right for stakeholders, what is right for the profession and what they themselves feel is right.

• Summary, drawing together the major issues identified and discussed in the section, and the basis for Section 4, ‘Conclusions and recommendations’.

“it is the firm’s culture set at management level, rather than size, that determines ethical standards”
3.2 THE QUESTIONNAIRE RESPONSE

The response to the questionnaire is shown in Table 3.1. Of the 24% (5,700) of recipients who opened the email, 12% read and 4.2% (238) completed the questionnaire. Sufficient number of responses was achieved for the analysis (although the response rate was disappointing) and a high proportion of the respondents (46%) contributed detailed comments to the free format questions, providing valuable qualitative feedback.

Most respondents had worked in the UK (91%), and these responses formed the basis of the statistical analysis. Also, most respondents were a partner, director or senior surveyor (66%) who had qualified 11 or more years ago (65%). Figure 3.1 shows the size of firm in which respondents worked, currently and previously. Table 3.2 shows that, whereas membership of the Commercial Property Professional Group is dominated by sole practitioners (44%) and surveyors in small firms of up to five chartered surveyors (38%), rather than large firms with over 10 chartered surveyors (8%), more questionnaire respondents worked in large firms (40%).

**TABLE 3.1 RESPONSE TO ONLINE QUESTIONNAIRE SURVEY**

<table>
<thead>
<tr>
<th>Questionnaire contacts</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addresses contacted</td>
<td>30,762</td>
</tr>
<tr>
<td>Bounces</td>
<td>6,456</td>
</tr>
<tr>
<td>Recipients</td>
<td>24,306</td>
</tr>
<tr>
<td>Email opened</td>
<td>5,701</td>
</tr>
<tr>
<td>Questionnaire read</td>
<td>697</td>
</tr>
<tr>
<td>Responded</td>
<td>238</td>
</tr>
</tbody>
</table>

**TABLE 3.2 RESPONSE COMPARED WITH COMMERCIAL PROPERTY PROFESSIONAL GROUP MEMBERSHIP**

<table>
<thead>
<tr>
<th>Size of firm</th>
<th>Respondents currently employed in private firms (172)</th>
<th>Commercial Property Professional Group members in private firms (21,893)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole practitioner</td>
<td>23%</td>
<td>44%</td>
</tr>
<tr>
<td>Small</td>
<td>29%</td>
<td>38%</td>
</tr>
<tr>
<td>Medium</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Large</td>
<td>40%</td>
<td>8%</td>
</tr>
</tbody>
</table>
Figure 3.2 shows that among the questionnaire respondents working as sole practitioners, in small firms or in large firms, the majority (over 50% in each case) have previous experience of working in a large firm, whereas fewer surveyors working in large firms have previously worked in a small firm (18%) or as a sole practitioner (12%). In other words, the majority of the respondents have acquired at least some of their grounding in ethics in a large firm environment. The figures also indicate that there is a greater tendency for career moves from large to small firms than in the opposite direction.
“there is a greater tendency for career moves from large to small firms than in the opposite direction”
3.3 PRESSURES ON ETHICAL STANDARDS

Questionnaire respondents said that there is pressure on ethical standards in particular areas of real estate practice, especially valuation (82%) (see Figure 3.3). The results also indicate that the nature of pressures on ethical standards relate to conflicts of interest (83%), client pressure (80%) and vested interests (76%). Data withheld from surveyors was also viewed as a particular issue (71%) (see Figure 3.4).
Ethics issues in surveying firms - does size matter?

**Figure 3.4 Nature of Pressure on Ethical Standards**

- **Conflicts of Interest**: 4.03 (large firms), 3.93 (all UK respondents), 4.08 (small firms), 4.06 (sole practitioners)
- **Client Pressure**: 3.97 (large firms), 3.80 (all UK respondents), 3.90 (small firms), 4.00 (sole practitioners)
- **Vested Interests**: 4.16 (large firms), 3.72 (all UK respondents), 3.84 (small firms), 3.96 (sole practitioners)
- **Data Withheld from Surveyors**: 4.03 (large firms), 3.63 (all UK respondents), 3.85 (small firms), 3.86 (sole practitioners)
- **Bribery**: 3.62 (large firms), 3.66 (all UK respondents), 3.54 (small firms), 3.71 (sole practitioners)
- **Reported Offers**: 3.71 (large firms), 3.41 (all UK respondents), 3.47 (small firms), 3.58 (sole practitioners)
- **Under Bidding**: 3.63 (large firms), 3.29 (all UK respondents), 3.65 (small firms), 3.50 (sole practitioners)

*Mean score: 5 = strongly agree*

![Legend](image)
Overall, 66% of the questionnaire respondents agreed or strongly agreed that generally there is greater pressure on ethical standards in the current economic climate but not in all areas of practice. In the free format comments several stated that, in relation to valuation in particular, the pressure to act unethically has eased somewhat as a result of the recession. For example, a Sole Practitioner with more than 10 years’ experience as a qualified chartered surveyor commented: ‘The pressure to “value up” property for loan purposes is not as great as it was.’ Seventy-one per cent of respondents who currently work in a large firm believe that there is greater pressure on ethical standards in the current economic climate, compared to only 51% of those in small firms.

“there is greater pressure on ethical standards in the current economic climate”

Pressures on ethical standards were also considered by the research focus group. Interestingly, one participant took the view that the surveying profession generally has strong ethical standards and thus questioned whether there is a problem to address:

‘... I don’t really think there is a problem in our profession, personally. I would defend our profession, I really would, I don’t think there is a problem in it, I think there’s people bending things a bit but I would just say “well that’s the twenty-first century”.’

However, other participants had a different view. As one commented, ‘... the whole world is a great deal less ethical than it was twelve months ago’.

The focus group also discussed client pressure. One participant observed that ‘often the most difficult thing is to actually try and persuade people that what they’re asking you to do isn’t the right course of action ... there is always somebody that wants you to do something slightly different and the question is how far do you go down that line’. Another participant therefore argued that ‘you have to be asking the question, is it ethical what I do, as a professional you should really be going down that road every time you are taking a job. ... You do need to have that question in your mind as you go through – “is what I’m doing the right thing?”’ A further participant agreed: ‘... there has to be an independent moral standard that you have as a basis whatever work you’re doing in relation to that. If you don’t have that absolute to go by then you will be lost.’ Certainly, all the participants agreed that being honest with all parties is paramount.
Some questionnaire respondents suggested that certain pressures are unique to small or large firms. As one respondent, with experience as a Sole Practitioner and of working in a large firm, argued:

‘...as time marches on in current circumstances of many of the major partnerships having sold out to overseas companies I do detect a very clear blurring of traditional behaviour where “bottom line” financial results pressures have blurred judgement where new owners come from markets that do not have our own brand of ethical professionalism which we have endeavoured to export.’

The risks associated with large firms’ expansion outside the UK were also commented on:

‘My previous employer, being a large international real estate consultancy, managed ethics well in the UK but poorly in Asia. There was and still is a lot of unethical practices in Asia (like overvaluing properties to meet the client’s requests, conflicts of interest and undercutting fees to get work).’

On the other hand, one respondent, with no experience of working for a small firm, stated that ‘smaller firms do not always have the luxury of making a stand’.

### 3.4 MANAGING ETHICAL ISSUES

How the questionnaire respondents’ firms or organisations manage ethical issues is summarised in Figure 3.5. Half indicated that their firm has a formal ethics policy/protocol. However, a higher percentage said that their firm/organisation relies on RICS rules of conduct to guide its staff. The majority said that their firm informs staff of its ethics policy when people join, but only 19% require staff to attend regular refresher courses covering ethics.

According to Figure 3.6, support in resolving ethical issues is more often provided internally by both large (74%) and small firms (63%). The data shows that large firms are much more likely than small firms to have an ethics policy/protocol and inform staff about the firm’s ethics policy when they join. In other words, large firms tend to adopt a formal approach to managing and communicating ethical issues, while in small firms greater emphasis is placed on more informal communication. Further, it would appear that small firms rely slightly more than large firms on RICS rules of conduct to guide staff.
The questionnaire survey asked respondents to consider whether ethics are managed better with or without a formal ethics protocol and in small or large firms. Perhaps unsurprisingly, respondents generally appeared to believe that what their own firm does works best, in that:

- Surveyors in small firms felt that communication about ethics is better in small firms and in the absence of a formal protocol.
- Surveyors in large firms felt that communication about ethics is better where there is a formal protocol.
- The general perception among surveyors in a firm where there is an ethics protocol (across all sizes of firm) is that communication is better where one exists; while, although to a lesser extent, the general perception among surveyors in a firm where there is no ethics protocol is that communication is better without one.
However, an analysis of the questionnaire responses using the Chi square test suggests that there is no particular association between size of firm and how well ethics are managed. Indeed, significantly, Figures 3.7 and 3.8 show that those respondents with experience of working in both a large and a small firm believe size of firm has no bearing on how well ethics are managed or on how well such issues are communicated. In other words, while the method of communication about ethics differs between small and large firms, this difference in communication style does not mean that ethical standards vary.
The value of a formal ethics protocol was commented on by questionnaire respondents. According to one respondent with experience of working for a large firm: ‘In large firms there has to be a reliance on a Protocol that is promoted and enforced.’ For another, with experience of both small and large firm environments: ‘Large companies – communication needs an ethics protocol. Small companies (i.e. less than 20 chartered surveyors) – ethical issues can be more easily communicated without a formal protocol.’ A number of other respondents working in small firms reported similar approaches: ‘Company owner has no formal policy but supports idea that conduct must be transparent and ethical, will support me if ever pressurised.’ Similarly, a Sole Practitioner explained that ‘ethics issues discussed between myself and my staff when necessary’.
One respondent also commented on the importance of the RICS *Code of Conduct*: ‘We primarily rely upon the RICS for guidance but also, given that we are a very small practice, we discuss these matters openly between ourselves.’ Another respondent also remarked on the RICS *Code of Conduct*: ‘We discuss all such matters in an open discussion between all our Chartered Surveyors, and if further clarification is required outwith the company procedures we refer to the RICS.’
The focus group discussion explored whether size of firm has a bearing on ethical standards. The main conclusion was that it is the company culture and the example set at management level, rather than size of firm, that determines ethical standards. As one participant commented: ‘I think it depends on the people that are running the firm ... I wouldn’t necessarily say that it is related to the size of the firm, I would say it is related to the direction given to everybody by the people that run the firm.’ Another participant agreed, arguing that: ‘... it comes down to the nature of the organisation and the individuals running it rather than the size of the operation.’ A further participant contended that it:

‘... depends on the management of the company as opposed to anything else ... I don’t think that’s a small or big company issue. Is ethics a prominent feature within the life and work of that company? If it is then you would hope that whether it’s got five people involved, one person involved or five hundred people, that those same principles are understood by everyone from the top down to the bottom and that they are accepted and adhered to.’

Discussing how ethics are ‘learnt’, one focus group participant argued that newly qualified members are heavily influenced by senior colleagues at their firm:

‘... you take it, in the first instance, from the person who manages you or your mentor as a young surveyor. Certainly that’s your first example of the profession and that’s the one you are going to hold up and even as a young surveyor if you can work with someone who is unethical you should be able to see it you hope, but then you still are to some extent influenced very strongly by the person that you work for and as you say it is a cultural thing isn’t it, so it almost comes back to that. If you are exposed to it for long enough it’s going to have some effect.’

This view was echoed by a second participant: ‘... you need to have a good relationship between whoever is the immediate boss. So I’m taking on somebody and I’m training them, then whatever I say and the way in which I go about things should be passed down to them ...’.

The importance of a firm’s culture and the example set at management level was also reflected in comments from a number of questionnaire respondents. One, with experience of working in both a small and large firm, said:

‘Ethical issues are managed better where those responsible for ethics promote ethical working; it does not matter what size of office or practice, if those managing the office or practice do not operate in an ethical manner; that lack of control will cascade down through the lower ranks, who [if so inclined] may feel obliged to act in a like manner for fear of losing their job.’
This view was repeated several times, with two respondents, again with experience of working in both small and large firms, arguing: ‘Company culture is the critical factor’, and ‘it depends on the “culture” of the individual firm, large or small.’ A third suggested: ‘It is dependent on the characters of the management team in each case’, and a fourth stated: ‘It’s rather more a case of how senior staff view ethics and the approach they take.’

A number of the focus group participants did agree, however, that communication within large firms is sometimes hindered by the ‘cross fertilization of information between one department of a firm and another’; in other words, by the number of different departments, and in particular the number of employees who are not chartered surveyors and therefore have a different perspective or understanding of the property sector. As one participant commented: ‘My limited experience suggests that the size and type of the firm brings in the possibility of ethical misbehaviour, if I can put it that way, dependent upon the number of branches and departments and the nature of their businesses.’ In other words, within large firms, which are likely to employ people whose background is outside the property sector, the ethical culture of the firm is more difficult to communicate. A third focus group participant agreed, commenting that ‘... the difficulty is trickling them [guidance] down through some of the larger practices into all areas of the business which are less surveying and more buying and selling orientated’.

Some of the questionnaire respondents similarly provided interesting comments when asked about the way ethics is managed and communicated in small and large firms. For example, a qualified chartered surveyor with more than 11 years’ experience in both a large and small firm found that ‘ethical issues are more difficult to address in a larger firm. Whilst a protocol will help it is crucial that the firm establish the level of ethical standard and seek to encourage the individual to own and live those standards’. This was echoed by another respondent who again has worked in both small and large firms: ‘Good levels of communication are easier, quicker and more certain in a small firm. Motivating people (if they need it) to adopt ethical standards is much easier on a one to one basis.’

Indeed, for one Partner/Director with experience of working in both a large and small firm, ‘... in a large company there is much more scope for senior staff/Directors to be unethical’. A second respondent similarly said: ‘My experience suggests that larger firms rely on formal policies that are not always supervised or enforced and that they are far more willing to take a flexible approach to dealing with Conflicts of Interest’; while another observed that ‘many formal protocols and quality systems are used as a cynical front rather than as a genuine commitment. At the end of the day Clients and market opportunities tend to determine behaviours’. This view was echoed in the focus group, with one participant suggesting that ‘... the reality is that most surveyors in a large firm probably have never looked at the ethics policy that that firm might have’.
3.5 Ethical Standards Set by RICS

A statistical analysis of the questionnaire responses showed no association between size of firm and the perceived importance of RICS’ ethical standards compared to those set by an employer. The vast majority (82%) of respondents agreed or strongly agreed that the ethical standards set by RICS are more important than the standards set by an employer. Most also believed that RICS needs to do more to enforce ethical standards in the profession (77%) (see Figure 3.9).

The analysis showed that there is an association between length of experience as a chartered surveyor and attitudes towards RICS’ codes of conduct, in that it is the less experienced members who believe most strongly that RICS’s rules are more important than those set by the firm, and that RICS needs to do more to enforce ethical standards in the profession.

In light of the indication that small and large firms differ according to the way ethics is communicated, the focus group participants were asked whether they felt that having RICS ethics guidelines in place is more important for small or large firms. An argument put forward for a protocol being more important in larger firms was that: ‘It does no harm to have that set of protocols, that principle available, but I think that sort of thing becomes again more perhaps important if you’ve got a larger practice because it really comes down in the end to the individual, how you know individuals behave in that case.’ On the other hand, another participant argued that RICS’ guidelines are more important for small firms, as they are less likely to have written guidance of their own.

However, there was also a view that the guidance was equally important to both small and large firms in defending actions when dealing with clients:

‘The mere fact that it [RICS guidance] exists I think is important, whether it is a large firm or a small firm in the sense that one can say “well look, I just can’t behave like this because it’s the standards of the profession. You’re asking me to do something which is completely beyond the pale, simply can’t do it”.’

The importance of RICS guidelines in this regard was echoed by a number of participants.

To one questionnaire respondent: The RICS ethical standards should always take priority’, and to another: ‘Firms take their standards from RICS rules’. Similarly, according to one of the focus group participants: ‘... RICS sets the benchmark and are much more explicit than any company’. Further, another focus group participant argued that the standards set by
the firm should be taken from RICS standards: ‘... I would have thought most of the big surveying practices would probably just sign up to the principles that are contained within the RICS guidelines and in one sense as a regulated company of the RICS you are required to stand up for it.’

However, others argued that firms have an equally, if not more, important role to play. For example:

‘... RICS must lead by setting the general standard but cannot prescribe for all eventualities but it is for individual firms to drive/set those standards at ever higher levels. Standards are a moving target and need to be driven at the “coal face” if there is not to be general slippage and loss of market share as a result.’

Similarly: ‘RICS should set the standard required but the main responsibility should rest with the employer to inform their staff of the high ethical standards in place at the business concerned and what this means in practice.’

FIGURE 3.9 RICS AND ETHICAL STANDARDS IN THE SURVEYING PROFESSION

However, others argued that firms have an equally, if not more, important role to play. For example:

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Similarly: ‘RICS should set the standard required but the main responsibility should rest with the employer to inform their staff of the high ethical standards in place at the business concerned and what this means in practice.’
Alternatively:

‘Whose ethical standards are more important depends upon who has the strongest standards and what they each cover. There are some areas in which employers will be stronger and others in which the RICS will be stronger and as such you would need to follow the highest in each case.’

There was a general consensus among the focus group participants that the principle-based method approach currently adopted by RICS is more appropriate than a more prescriptive approach. As one explained:

‘... my personal view is that the twelve principles is a much better way of summarising what we as a profession stand for or don’t stand for compared to a forty-two page booklet where frankly you’re going to be reading once at best in terms of when you are about to sit your APC and that’s about the last time. It’s the interpretation isn’t it and at the moment you’re relying on twelve fairly high level statements or principles and then you’re relying on the surveyor’s common sense to interpret that as opposed to it being prescriptive and personally I think it’s a better approach.’

3.6 ETHICS AND PERSONAL CHARACTERISTICS

It was argued in the focus group that ethical standards and views on ethics do vary according to age and experience. To one participant, this may be because ‘... older surveyors have grown up in a more ethical environment... [i]t’s not an ethical world out there now so they [younger surveyors] haven’t come through a system to a point of entering a profession which actually relies on ethics at all.’ Another participant went further to argue that junior surveyors are under more pressure to act in an unethical manner:

‘... I have a great deal of sympathy with them [junior members of the profession] because I can well see that those kids come into the profession, they’re at the bottom of the heap, they’re under far more pressure about being ethical or could be from either their client or someone who has climbed up the tree a little more and they want to know much more.’

A third participant argued that newly qualified surveyors are likely to perceive ethics to be a big issue and be more anxious than their more senior counterparts to see ethical behaviour regulated
‘... because I think they’ve done it most recently as they’ve been going through their training process, partly because they’ve had less worldly experiences and therefore they are perhaps sort of not coloured or they haven’t seen as many grey areas ... so you don’t have the experience to take the view on certain things. Do you report every little sort of fraudulent claim or whatever? You don’t have that experience and therefore you’re much more likely to see things in black and white as a youngster compared to someone older.’

Certainly, ethics is a key theme through the APC process, and the focus group participants emphasised the importance of ensuring the subject high prominence in education and training. As one participant argued:

‘... in order for the RICS to try and make sure over a period of time that its ethical standards are maintained at a higher level, it needs to – to use a nasty word for it – indoctrinate if you like at a young age those people who are coming through the system and it needs to make a big point of it.’

However, the focus group participants were also in general agreement about the need to (re)educate all surveyors, not just those undertaking their APC, because of the supposed influence of senior colleagues on younger and less experienced ones. In other words, as another participant argued, rather than focus on individuals, groups (for example, young or old members) or (certain size) firms, addressing unethical practice in the industry requires

‘... an equal emphasis at all stages and for all parties ... [A]s you’re working through your profession effectively the greater danger is actually seeing it not happening at the older level that become more cynical and then realise well actually if that is the way to get on, if that’s how I become a partner or an associate or someone like that actually I have to ditch some of that ethics because that’s the only way that I can get on.’

In both the questionnaire responses and the focus group, comments were made as to the difficulty faced by young/inexperienced surveyors in challenging the ethical position of an employer and senior colleagues. As one questionnaire respondent remarked:

‘Many surveyors are unhappy with their employer but the market and need to find employment severely limits choice. It is a lucky [or foolish] person who feels able to robustly challenge an employer’s ethical position. There is a limit to the number of times you can challenge an employer without career limitation.’
The focus group was particularly concerned about young surveyors’ ability to leave an unethical firm, especially in the current economic climate, because ‘[i]n a market like this they’re not going to do that, they’re going to stay. So are they then going to be forced to swallow their honesty and their integrity? Sadly in some cases that is what will happen to these poor kids and I really do feel for them.’ For another participant:

‘I think in some cases if a candidate finds himself in a firm which has questionable ethics or practices they don’t have a route out, they’re not in the position. ... [I]f they say “I’m not going to do that” they are going to get sacked [and] if they get sacked they have got to find another job, and in this market they are not going to do that.’

It was further argued in the focus group that the large majority of firms would be reluctant to employ anyone who had worked for a considerable length of time for a firm that is perceived to have questionable ethical standards. As one participant explained:

‘... if they are working for one of those firms then probably other firms wouldn’t touch them anyhow, so if they’ve been there for a certain length of time and you as a competitor know that’s the way they work you actually wouldn’t want to employ that person, and I know there’s firms I would be happy to employ people from and other firms I probably wouldn’t even interview.’

In other words, firms look to recruit to their own image and the ‘right type’ of people, which means the choice of employer surveyors make early in their career, in terms of that employer’s ‘ethical reputation’, can dictate their future.

3.7 EXPECTATIONS OF PROFESSIONAL SURVEYORS

In making ethical judgements, respondents to the questionnaire were asked to rank the importance of doing what is right for the client, employer, stakeholders, the profession and what they think is right. The mean scores illustrated in Figure 3.10 show ‘what is right for the client’ as most important, and 57% of respondents put this in first place. This was followed by ‘what is right for the surveying profession’ in second place; ‘what they think is right’ in third place; ‘what is right for the firm’ in fourth; and ‘what is right for the firm’s stakeholders’ in last place.
Interestingly, overall, respondents from large firms ranked doing ‘what is right for the firm (employer)’ in second place. However, a statistical analysis of the responses revealed there was no strong association between either size of firm or experience as a surveyor and the order in which the five options were ranked. Despite this, one respondent observed that small firms are more likely than large firms to put the client first by recalling, ‘the client’s best interests were not followed in many express circumstances during my working time in Leeds [in a large firm]. This has now changed as I am now in a small regional firm where individuals’ money is on the line rather than corporate firm’s money.’
To another respondent: ‘The client interest has to be paramount in every instruction. If that is followed the firm’s reputation grows and thus ultimately the business is successful for the employer and the stakeholders.’ Other respondents similarly asserted that ‘[i]ntegrity to the client has to be uppermost, or the practitioner and their firm’s reputation will be damaged’, and:

’a professional should put client first; an idealist would hope this might benefit the reputation of the profession, second, and if they are in the right job, it would tally with their personal views; only fourthly should the firm and lastly stakeholders figure on the calculation. Besides, if 1, 2 and 3 are consistently right, the firm and stakeholders should continue to prosper.’

A further respondent contended that:

‘There is bound to be a certain amount of mental conflict in a surveyor’s mind between what may be best for his client and what may be best for his firm (if the two are different) but that surveyor must never forget while his firm may provide his income, he must have the strength to do the right thing if he is to retain credibility so far as any particular instruction and so far as the market place generally are concerned. To do otherwise may assist in the short term (that instruction) but will compromise his longer term standing.’

Another respondent likewise maintained that: ‘The ethical surveyor should be the repository of ethical conduct, and is usually only answerable to his conscience. His duty is to his Client before his employer. To a lesser degree, he is bound through his actions to reflect the qualities of the profession.’ Two other respondents similarly argued: ‘Subject to the duty to court/tribunal I believe that protecting the client’s position is paramount … [T]he best interest of the profession is, in my view, served by protecting the client’s legitimate interest’; and: ‘We are only here because of clients, they come first. Any surveyor has to use [their] own judgement about right and wrong. You do owe some loyalty to your employer and commercial reality, but some way down the order.’

“the best interest of the profession is, in my view, served by protecting the client’s legitimate interest”
However, some argued that one should put the client first only if what the client wants is in line with what is consistent with the individual’s and the profession’s standards. For example: ‘It is important to work to the best ability of your clients but at the same time you need to feel that your own standards are upheld’; ‘right for the Client unless not consistent with the precepts of the profession and the good governance of the firm’; and ‘What is right for the client is the priority when the client is also ethical, if not you refer to the base standard for the profession and your own initiative.’ Indeed, one senior surveyor reported an occasion where his firm stopped working for a client because they wished the firm to disregard some ethical practices that the firm adhered to.

Alternatively, others felt that the profession should come first. For example: ‘The best way to help clients, firms and stakeholders is to maintain the professionalism of Surveying, long term standards should outweigh short term pressures.’; and ‘Once you do what is right for the surveying profession, all other interests will be taken care of – client, employer, stakeholders and yourself. It is the standards of the profession that bind us all together.’ On the other hand: ‘Surveyors should do what they believe to be (ethically) correct, in the long run this benefits everyone.’

### 3.8 SUMMARY

The main conclusion from this section is that it is the company culture and, in particular, the example set at management level, rather than size of firm, that determines ethical standards. The survey results revealed no association between size of firm and how well ethics are managed and communicated. However, the evidence indicates that size of firm does influence the ways in which firms’ ethical standards and ways of dealing with ethical issues are communicated, with large firms more likely to have a formal protocol in place and small firms using less formal methods.

The findings also indicate that on the whole surveyors believe that their firm’s approach to managing ethics is best. So, for example, respondents in large firms believe ethics are managed better that way, while respondents from small firms are equally supportive of their firm’s approach. Further, the general perception among individuals of firms where there is an ethics protocol (across all sizes of firm) is that communication is better where one exists, while the general perception among those in a firm without an ethics protocol believe communication is better without one.
The section has also highlighted a perception (among the focus group participants in particular) that age and experience have a strong influence on ethical values and standards, and that the example set by senior colleagues influences the ethical behaviour of less experienced employees. Indeed, it has discussed the contention that working for a firm perceived to have questionable ethical standards can have a detrimental effect on a young surveyor’s career, as focus group members strongly argued that many firms recruit to their own image and are reluctant to employ any surveyors who have worked for any significant amount of time in a firm with a poor reputation.

RICS’s principle-based approach to regulating ethics is widely supported, and the majority of respondents to the questionnaire regarded the Institution’s standards to be more important than those set by an employer. The level of support did not vary significantly according to the size of firm that respondents were employed by. There was a perception among a significant number of respondents, particularly the more recently qualified members of RICS, that RICS should do more to enforce ethical standards.

Finally, doing ‘what is right for the client’ was ranked by the questionnaire respondents above doing ‘what is right for the surveying profession’; ‘what they think is right’; ‘what is right for the firm [employer]’; and ‘what is right for the firm’s stakeholders’. A statistical analysis of the responses did not reveal a strong association between either size of firm or experience as a surveyor and the order in which the five options were ranked, although those who worked in large firms did place more importance on doing ‘what is right for the employer’ than those in small firms.
CONCLUSIONS AND RECOMMENDATIONS
4.1 INTRODUCTION

Building on previous CEM research investigating ethics in UK real estate firms, the aim of this research was to examine the extent to which ethical standards, and the methods of communicating such standards, vary according to size of firm. Specifically, the research objective was to investigate whether there are differences of approach between small surveying practices (fewer than six chartered surveyors) and large firms (more than 10 chartered surveyors) as to how they:

- promote ethical behaviour within their organisations;
- deal with ethical dilemmas faced by their staff;

The research employed a combination of literature review, and an analysis of responses to a questionnaire sent to all members of the RICS Commercial Property Professional Group in July 2009 and of a focus group attended by nine participants drawn from small and large firms in November 2009.

4.2 MAIN CONCLUSIONS

The major conclusions from the research are reported as follows:

- Ethical issues in small and large firms: pressures on ethical standards vary between areas of real estate practice and size of firm, and there is a perception that pressures have increased since the economic downturn.

- Communicating ethical conduct: methods of communicating ethical conduct internally is influenced by size of firm, where large firms tend to use formal protocols and small firms prefer to adopt less formal methods and rely more on close working relationships with colleagues.

- The firm’s culture matters: surveyors’ ethical standards are affected by the culture, rather than size, of the employing organisation, and this culture is set at management level.

- Working for an unethical firm: working for a firm with a poor reputation can have an adverse effect on the career prospects and progression of young surveyors.
• **Key role for education**: education and training for new recruits to the profession should be accompanied by a strong emphasis on ethics in CPD, in order to ensure a consistent standard is applied among all surveyors.

• **Key role for RICS**: surveyors view ethical standards set by RICS as more important than those set by individual firms and believe the Institution needs to do more to enforce professional standards.

Each of these is discussed in more detail below.

### 4.2.1 ETHICAL ISSUES IN SMALL AND LARGE FIRMS

Both the literature review and the empirical analysis indicate that size of firm does influence the types of ethical issue that firms face. Practitioners in small businesses tend to feel more vulnerable to intense competitive pressure and limited resources, whereas large firms face issues of communicating standards to a larger and more diverse workforce.

Opportunities to disclose and discuss issues of concern are important to resolving ethical dilemmas. Surveyors working in small firms can be close to their colleagues, but also have fewer in-house professionals to turn to for advice in any given situation, and may be constrained from talking to external fellow professionals because of concerns about compromising a client relationship or confidentiality.
They are also less likely to have in-house support or ready access to consultants in terms of HR, finance and legal expertise compared with larger firms. At the same time, large firms that employ people from a wider range of backgrounds from inside and outside the property industry face more complex issues in terms of communicating the firm’s ethical culture in order to establish a common approach and standard. The issue is therefore one of scale and diversity.

The research evidence shows that firms which demonstrate high ethical standards benefit financially through enhanced reputation and a competitive advantage, as well from greater client satisfaction and staff retention. Conversely, allowing poor performance to go unchecked risks not only an adverse affect on clients and other stakeholders, but also on the reputation of the firm concerned and the wider profession.

Most questionnaire respondents were of the view that overall there is greater pressure on ethical standards in the current economic downturn. This view was held particularly by surveyors working in large firms (71%) rather than small firms (51%). Pressures on ethical standards also occur in specific areas of real estate practice, especially valuation. According to Crosby et al. (2009), pressures faced by valuers occur regardless of market conditions, whereas some respondents were of the opinion that pressures on valuers to act unethically has eased somewhat in the current recession, possibly as a result of a downturn in lending and transactions reducing the scale of activity.

“differences of approach ... do not imply differences in standard”
4.2.2 Communicating Ethical Conduct

There is no evidence of an association between size of firm and how well ethics are managed. However, there are differences in the way ethics are managed and communicated in small and large firms, but these differences of approach reflect their different characteristics and needs and do not imply differences in standards. Large firms tend to use formal written codes of conduct, while these are less frequently used in small firms, which rely more on close working relationships with colleagues.

The absence of a written ethics policy does not necessarily signify a lack of concern for ethics. Indeed, the literature reviewed in Section 2 highlights a number of issues, as well as benefits, associated with formal codes of conduct and limited evidence of a real connection between such codes and ethical perceptions. Further, the empirical evidence presented in Section 3 indicates that, on the whole, surveyors believe that their firm’s approach to managing ethics is the best. Regardless of size of firm, surveyors working for a firm that has an ethics protocol believe ethics are managed better that way, while those in firms without a formal protocol are equally supportive of that approach.

“actions, rather than codes, determine ethical culture”

The evidence here does not therefore support the view expressed by Liu et al. (2004), for example, that all firms should consider promoting ethical codes. Instead, it lends support to Greenway’s (2002) assertion that actions, rather than codes, determine ethical culture. While codes of ethics may be considered an important, public and explicit statement of ethical standards, their existence alone does not ensure ethical behaviour. To be effective, such codes must be accompanied by personal ‘buy-in’, as well as regulation, enforcement, education and training.

4.2.3 The Firm’s Culture Matters

In contrast to the views expressed by some of the individuals from large firms interviewed as part of the previous CEM research (Plimmer et al. 2009), the main conclusion of this report is that it is the firm’s culture, and not size, that matters when it comes to determining the standards or quality of ethics practised by the organisation. While the way in which ethical requirements are communicated tends to vary according to the size of firm, with greater formality and documentation in large firms than small ones, this difference in communication style does not mean that ethical standards vary.
It is managers/business leaders who define the company culture. In other words, it is leadership from senior colleagues that directs and articulates what acceptable behaviour is, and this is true regardless of size of firm. In turn, this helps shape the ethical behaviour and values of less experienced employees. Managers are thus charged with acting professionally and setting the company standard while at the same time ensuring the financial stability of the firm.

It is clear that surveyors’ ethical values and standards vary by age and experience. For example, the evidence indicates an association between length of experience and attitudes towards RICS standards in that younger members regard RICS rules as more important than company rules and call for stronger enforcement.

### 4.2.4 WORKING FOR AN UNETHICAL FIRM

As discussed above, it is clear that surveyors’ ethical standards are affected by the culture, rather than size, of the employing organisation and the example set by senior colleagues. Working for a firm with a poor reputation can adversely affect the career prospects/progression of young surveyors. Large firms, in particular, seem to prefer to recruit to their own image and are reluctant to employ surveyors who have worked for any significant period of time in a firm they view as having poor ethical standards. Therefore surveyors who work for such a company could well find it difficult to secure employment with a more reputable firm.

Young surveyors’ concerns about the enforcement of good ethics is therefore possibly due not only to the fact that they are required to study the requirements as part of their professional training, but because they are aware that unethical behaviour by their employers/mentors could rebound on their future. Certainly, the extent to which a firm’s ethical standards influences individuals’ choice of employer was a topic of discussion in the CEM ethics student debate analysed as part of the previous report (see Section 1.2), with the vast majority of those contributors to this thread saying that ethical standards do influence choice of firm.

“younger members regard RICS rules as more important than company rules and call for stronger enforcement”
The questionnaire responses indicate that more than 50% of surveyors, regardless of the size of their current employer, have previous experience of working in a large firm, and suggest that there is a greater tendency for career moves from large to small firms than in the opposite direction. Traditionally large surveying firms have offered a significant number of training places each year, which are sought after by graduates seeking to qualify as RICS members because large firms are able to offer a wide range of experience geared to satisfying the technical and professional requirements of the APC.

When employers seek to recruit qualified surveyors, it is therefore probable that a high proportion of applicants will have prior experience of working for a large firm, providing opportunity for large employers to exercise their preference for applicants who are used to the ethical culture of large firms, which is different from that of small firms. With this in mind, young and/or newly qualified surveyors need to be aware that firms tend to employ individuals who are accustomed to the way they expect ethical issues to be handled and, in thinking about their careers, they need to take into account size of firm, as well as culture and reputation, when identifying potential employers.

However, as the students in the CEM ethics online debate discussed, this raises the question of how one gathers the necessary information in order to assess the reputation of a firm. There are a number of answers, including through word of mouth and by looking for and reviewing the firm’s code of conduct and/or corporate social responsibility policy.

Of concern is the fact that the current economic climate means that surveyors’ choices are rather more restricted, and they face the prospect of having to accept any offer of employment they receive, at whichever firm it might be. Surveyors who are currently uncomfortable about their employers’ ethical standards are also in a difficult position, with reduced prospects of finding work elsewhere.

4.2.5 KEY ROLE FOR EDUCATION

The literature indicates that being highly educated does not automatically equate with acquiring higher ethical standards; therefore ethics need to be part of education and training.

The present findings reiterate the previous CEM report’s conclusion that education and training is an important means to raising the ethical standards of new recruits to the profession and, thus, ethical standards across the industry. As discussed, younger and/or more recently qualified surveyors are more concerned with ethical standards and issues than their more senior counterparts, and the emphasis placed on ethics in the APC process is likely to be a significant factor in this.
There is constant pressure to cut corners and take risks for extra gain, and the literature provides evidence of poor ethical behaviour. Education and training should emphasise the danger of taking such risks because they can rebound on individuals or firms by destroying their reputation.

However, this report goes further in arguing for education and training in ethics for all surveyors, whatever their level of experience, through lifelong learning. CPD should reinforce the standards required and why they exist. This is important not only to ensure a consistent standard is applied by all surveyors, but also because any bad habits that experienced surveyors may have picked up during their career might lead less experienced surveyors to think that acting in that way is the best way to progress. As discussed, the example set by senior colleagues helps shape the ethical behaviour and values of less experienced employees.

4.2.6 KEY ROLE FOR RICS

The research findings reinforce the role of RICS in establishing and promoting ethical guidelines to which its members should adhere. Indeed, there is a widely held view that the ethical standards set out by RICS are more important than those set by individual firms, and this view is not dependent on size of firm. Because surveyors in small and large firms face different challenges and are accustomed to dealing with ethical issues in a different way, the advice that RICS offers surveyors, for example on the use of formal codes of conduct, should reflect their size of employer.

RICS’s principles-based approach is also widely supported, with all the focus group participants, for example, welcoming the move away from a more prescriptive approach. One of the strengths of this approach is the implicit recognition that people and firms do things differently, but that the same standards of performance should be demanded.

There is a view, particularly among the more recently qualified members of the Institution, that RICS needs more ‘teeth’ and to increase its efforts to ensure compliance. This is in keeping with the view of many of the students participating in the GDP ethics online debate. Without strong regulation and policing, particularly of poor performers, there is a danger that the standards set through formal codes of conduct are insufficient to ensure appropriate ethical conduct.

Finally, RICS has a key role to play in enabling professional networks that can be particularly important for surveyors in smaller firms who have fewer in-house colleagues to turn to for support and advice compared with those in larger firms. Such networks also provide newly or recently qualified surveyors with opportunities to gather information about the reputation of firms and help them access potential future employers.
4.3 RESEARCH RECOMMENDATIONS

- Ethics must be managed by firms’ leaders and it is appropriate for firms to adopt an approach that suits the size of the firm and the nature of its business.

- New entrants to the profession need to be aware that the ethical reputation of their first employer will be important to their future career, and should take every opportunity to seek and make use of personal contacts and networks to gather information about firms when looking for employment.

- RICS needs to raise awareness about ethical issues and promote the incorporation of ethics training into accredited courses leading to the APC and into CPD courses.

- RICS needs to continue its efforts to police the industry and enforce the standards set by its codes of conduct.

- RICS should look to increase its efforts to:
  - provide networking opportunities for surveyors, particularly those in small firms, so that they can share experience and gain support from their fellow chartered surveyors;
  - foster an ongoing debate within the profession about the range and variety of ethics management processes, both to promote greater awareness and to remove any misconceptions which may exist, with the aim of improving the handling of ethical issues by individual surveyors, their firms and RICS.
“being highly educated does not automatically equate with acquiring higher ethical standards”


Ethics issues in surveying firms - does size matter?


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