

## **Ethics in real estate practice: education matters**

**Authors:** Dr Gethin Edwards and Gaye Pottinger

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### **Abstract**

The economic downturn has exposed pressure on real estate practices to cut corners and brought an increased focus on standards of competence and regulation. Today's real estate graduates emerge into a highly competitive and difficult jobs market. Their first job can be all important, not only to the continuing development of their professional competence, but also to reinforcing their ethical stance and outlook that can determine success throughout the rest of their career. This is a main finding of research undertaken by the authors while working at the College of Estate Management, Reading (CEM).

This paper argues that the incorporation of ethical training into pre-qualification education and on-going life-long learning is all important. It draws on a series of three UK based projects in 2007-1010 that investigate the way in which surveyors understand and manage ethics, according to the stage of their career and the size of firm that they work for. The research includes analysis of an online ethics debate involving CEM master's degree students who have property industry experience; interviews with property professionals from nine of the top 25 UK property services firms; a questionnaire survey of RICS Commercial Property Professional Group members; and a focus group involving chartered surveyors from firms ranging in size.

Fundamentally, the research found that young surveyors express more concern about ethics than their senior colleagues and, at the same time, are strongly influenced by their actions. The findings presented in the paper are relevant to understanding how good ethics are learned, managed and perpetuated in surveying firms and to informing the role that professional regulation and education need to play.

## Introduction

Education is crucial to underpinning the ethical stance taken by young surveyors at the start of their working life that can affect the whole of their careers. Individuals develop values that are shaped firstly within the family in childhood, but then are developed through education, and through environmental influences, including the workplace (Hofstede 2001).

This paper draws on a series of three UK-based projects in 2007-2010 that the authors undertook whilst at the College of Estate Management. The projects, sponsored by the Royal Institution of Chartered Surveyors (RICS), the Guy Bigwood Trust and CEM, investigate the way in which surveyors understand and manage ethics.

In 2007, the first study examined the potential for ethical conflicts in surveying firms that offered both professional and agency services and highlighted the importance of incorporating ethical training within taught pre-qualification education (Dabson *et al.* 2007). It led directly to a wider study (Plimmer *et al.* 2009) investigating how large surveying firms deal with ethical dilemmas and develop corporate ethical standards. This research identified possible differences in the way that large and small firms manage ethics, explored by the third project (Edwards and Pottinger 2010).

The research was informed by an analysis of an online ethics debate involving CEM masters degree students who have property industry experience; interviews with property professionals from nine of the top 25 UK property service firms; a questionnaire survey of RICS Commercial Property Professional Group members; and a focus group involving chartered surveyors from firms ranging in size.

The aim throughout the research has been to raise understanding of how 'good ethics' are developed by individual surveying professionals and within firms; to show how ethics contribute to business success; and to inform the development of education courses and the regulation of ethical conduct within the surveying profession.

A main theme to emerge from this programme of research is the importance for new graduates of starting their career with the right firm. In 2012 the RICS reported nearly 12,500 trainee members in the UK (RICS 2012). The firm they start with not only influences the continuing development of their professional competence, but also reinforces their ethical professional stance and outlook that can determine success throughout the rest of their career. However, the economic downturn that has exposed pressure on real estate practices to cut corners, also limits graduates' ability to pick and choose the firm that they work for, and to challenge practices that are contrary to their own personal ethics.

Nevertheless, when seeking employment, prospective surveyors should consider both the size and reputation of the firms they apply to. Although ethical standards do not necessarily vary by firms' size, the way ethics are managed can be very different between small and large firms and the research suggests that employment experience gained early on can affect subsequent job moves.

In the next two sections this paper therefore explores how experience of professional ethics gained in firms of varying size, culture and reputation can influence the career development and progression of surveying graduates. The third and final section discusses the role that professional regulation and education need to play.

## Considering size of firm

While all chartered surveying firms must observe the RICS codes of conduct (RICS 2007a; RICS 2007b), a main difference between the way that large and small firms manage ethics is in the level of formality that they adopt. Therefore new graduates will have a very different experience according to the size of firm they start with.

The literature offers mixed views on the use of formal codes. On the one hand, formal documentation is considered a requisite for good compliance, whilst on the other, is regarded as an administrative burden that fails to address an underlying problem (Sims 1992; Ware 2000; Richards 2003; Teo 2010). Certainly, Longenecker *et al.* (1994: 8), based on responses to a questionnaire on ethical perceptions in firms in the United States, report ‘... no connections between ethical perceptions and the use of written codes.’

Amongst questionnaire respondents, more large surveying firms reported that their firm has a formal ethics policy in place to guide staff (69%) than those working in small firms (37%). That large firms tend to rely on a more formal approach to managing ethics reflects not only their ability to afford to produce their own written codes of conduct or ethics policies, but, as pointed out by a number of focus group participants, also a requirement for effective communication across a large number of people. It is more difficult to communicate the ethical culture of a large firm without a formal document, due to the number of different departments and also the number of employees that are not chartered surveyors but who are required to understand and follow practices appropriate to the property sector.

Small firms, by comparison, are characterised by less formality, managing ethics through personal contact. Respondents from small firms explained that ethical issues are discussed between staff, whilst also referring to the RICS rules of conduct.

Despite the different approach to managing ethical dilemmas in the workplace, analysis of the questionnaire responses highlighted no particular association between size of firm and how well ethics are managed and communicated. Respondents to our questionnaire generally believe that what their firm does works best, in that those working in a firm where there is an ethics protocol argue that communication about ethics is better where one is in place, while the general perception among surveyors in a firm without a formal ethics policy is that such communication is better without one.

Ultimately, codes do not ensure ethical behaviour. They should be accompanied by effective mechanisms for communication, enforcement and review (Liu *et al.* 2004; Dienhart 1995; Nicholson 2005). As Greenway (2002: 10) argues, ‘... actions are much more significant in determining ethical culture than any code.’

Our research (Edwards and Pottinger 2010) highlights no particular association between size of firm and how well ethics are managed. Despite this, having experience of a small firm environment does, according to our research, make it more difficult to find employment in a larger firm. Not only do large employers recognise the different ways of dealing with ethical dilemmas in large and small firms, but there also exists a perception, albeit not as prevalent, that standards do vary according to size of firm.

There was a perception amongst the individuals from large firms interviewed that those working for small firms are more vulnerable to pressure from large clients. Indeed, Medlin and Green (2003), Lewis (2007) and Longenecker *et al.* (1994) provide evidence that a significant number of workers in small firms feel under pressure to act unethically.

That there is a greater tendency for career moves from large to small surveying firms is borne out by responses to the questionnaire survey of RICS Commercial Property Professional Group members. Previous experience of working in a large firm was reported by more than 50% of respondents currently working in a small firm and by 66% of sole practitioners. Conversely, amongst respondents working in large firms less than 20% had experience of working in a small firm, while only 10% had previously worked in sole practice.

There are two factors at play here. Firstly, 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. Large firms are able to offer a range of experience geared to satisfying the technical and professional requirements of the Assessment of Professional Competence (APC). The prospect and probability of new graduates starting out with a large firm has therefore tended to be greater.

Secondly, the research interviews confirmed that large firms tend to prefer recruiting surveyors that have previous experience of working for other large employers, which, from their viewpoint, adopt similar ethical standards to their own and who are accustomed to the way they handle ethical issues. As one interviewee from a large firm commented,

‘... anybody that joins us from a small outfit won’t have the same standards as us because they’ve had to live by their wits and they will have pushed the envelope as far as they can in a small firm to earn money ... if they come from another big firm then we’re much more relaxed because we all speak the same language (Chartered Surveyor)’.

The tendency for career moves from large to small firms means that the majority of surveyors have acquired at least some of their grounding in ethics in a large firm environment. This means that large firms can exercise their preference for recruiting surveyors that have experience of working in a large firm environment. New recruits to the profession need to be aware that firms tend to employ surveyors who are accustomed to the way they expect ethical issues to be handled, and keep this in mind when making employment decisions.

### Considering the culture and reputation of firms

Culture is defined as ‘the collective programming of the mind which distinguishes the member of one group or category of people from another’ (Hofstede 1991: 5). It is a combination of individual (personal/family), educational and environmental influences (Hofstede 2001). Trompenaars (2003: 196) distinguishes norms from ‘core values’: the former is ‘... a common orientation toward that which one would like to do’, whilst the latter ‘... are values that have not yet become norms.’ ‘Norms’ are based on the innate sense of ‘right’ and ‘wrong’ (Plimmer *et al.* 2009).

The literature indicates that within businesses there are benefits associated with ethical behaviour. Ethical behaviour is recognised as having a financial benefit, ‘... or more importantly, the absence of ethical values has a commercial cost’ (Plimmer *et al.* 2009: 56). It is recognised that, in the long term,

ethical companies are more successful than unethical ones. Harris (1998: 6) asserts that ‘... the ethical climate of an organisation is a knowledge-based asset ... [which] ... can be exploited by the organisation in its dealings with clients, customers and employees.’ It is therefore commercially valuable and serves as the basis of a durable competitive advantage (Galbreath 2006).

Despite this, there is evidence that employees of certain firms can come under pressure to act unethically to meet targets and bend the rules. Within such firms, ‘counternorms’ become dominant – a culture of bad practice that come to be accepted through repetition (Jansen and Von Glinow 1985, cited in Sims 1992). These counternorms do not materialise out of thin air. Ethical culture is set at management level, by the firm’s leaders (Greenway 2002; Richards 2003; Sims 1992). This was reinforced by a focus group participant:

‘Ethical issues are managed better where those responsible for ethics promote ethical working ... 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 ... may feel obliged to act in a like manner for fear of losing their job’.

Opposing a senior colleague is risky, particularly in the current economic climate where jobs are scarce: ‘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 limitations’. For another focus group participant:

‘I think in some cases if a candidate finds himself [or herself] in a firm which has questionable ethics or practices they don’t have a route out ... [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.’

As we have previously commented (see Plimner *et al.* 2009), individual surveyors are expected to adhere to their employer, even if this conflicts with their own personal ethics.

One of the major conclusions of the focus group is that the majority of firms are very reluctant to employ anyone who had worked for a considerable amount of time for a firm that has a reputation for unethical practice. The focus group participants indicated that certain firms do have a reputation for bending the rules, and that anyone working for such a firm would likely find it difficult to gain employment in a more reputable firm. 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.’

Our research indicates that young surveyors are more concerned than their more senior counterparts about the enforcement of good ethics, and that views on what is ‘right’ and ‘wrong’, or ‘good’ and ‘bad’ practice varies according to age and experience.

Questionnaire respondents and interviewees from the large firms were asked to consider and rank the following statements according to what surveyors in their firm should prioritise when faced with

an ethical dilemma: doing 'what is right for their client', 'what is right for their firm (employer)', 'what is right for the firm's stakeholders', 'what is right for the surveying profession', and 'what they think is right'. Overall, doing 'what is right for the client' was ranked in first place, followed by 'what is right for the surveying profession', 'what they think is right', 'what is right for the firm', and 'what is right for the firm's stakeholders' in last place. As one questionnaire respondent argued,

'a profession 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.'

In preparation of the interview, one interviewee asked all of the surveyors in the firm to undergo the exercise, which revealed differences in attitude between the newest recruits that had been with the firm 1-2 years, and those that had 3-6 years experience. The former group placed more emphasis on observing professional standards and favoured doing 'what is right for the firm' over doing 'what is right for the client', whereas the latter group prioritised doing 'what is right for the client' as the priority (see Plimmer *et al.* 2009 for a more in-depth discussion).

When asked about the ethical standards expected from experienced surveyors, the interviewees made it clear that the very highest professional ethical standards were anticipated. However, there was also a view that the awareness and standards of newly qualified surveyors should be as good, if not stronger than those of more experienced surveyors. For example, one interviewee stated that '... I would expect the highest level of ethics and moral standards from a newly-qualified surveyor because, you know, it's a key part of the APC' (Chartered Surveyor). A second interviewee similarly stated,

'... I think everyone who joins the firm, whether it be at graduate level or as a senior surveyor or whatever, should have that built-in within that culture, anyway, ... I mean there is always going to be an element of "it will develop over time and through knowledge and experience" but you should always have that principle there in the background' (Compliance Officer).

However, to one focus group participant, junior surveyors are under considerable pressure to act unethically:

'... 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'.

Further, the focus group participants were concerned that less ethical senior colleagues are likely to have a bad influence on newly qualified surveyors. As one participant explained:

'[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.'

The example set by senior colleagues, and at management level within the firm, is said to strongly influence the ethical behaviour of less experienced employees. New recruits to the profession learn by following existing practices, and if they observe unethical behaviour in the workplace, they are likely to replicate it, with the result that unethical practices are reinforced and perpetuated.

Firms look to recruit to their own image and the 'right type' of people. This means that the choice of employer surveyors make at the beginning of their career can significantly dictate their future, and it is thus important, when starting out, to consider a firm's ethical reputation when applying for jobs. The current economic crisis means that graduate surveyors' options are rather more restricted and that they are more likely to have to accept any offer of employment they receive.

As discussed in Edwards and Pottinger (2010), young surveyors' concerns about ethical standards and the enforcement of good ethics is not necessarily only due to the fact that they have recently studied the subject as part of their professional training, but also because they are well aware of the risks associated with unethical practice and the potential that the behaviour of their employer could rebound on their future. Not only are high ethical standards essential to maintaining a firm's competitive advantage (see, for example, Harris 1998; Galbreath 2006; Nicholson 2005), but also to an individual surveyor's reputation.

Certainly, a number of the contributors to the student online debate indicated that their choice of firm would be influenced by ethical standards and reputation. Indeed, some of the students indicated that they had in fact left a company because of unethical behaviour.

### **The role of education and networking**

All of the interviewees from large firms argued that ethics should be included in surveying education and in surveying degrees. As we have previously argued, '... 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' (Edwards and Pottinger 2010: 59). Such education should reinforce the danger of unethical behaviour which can rebound on firms and individuals by destroying their reputation.

However, there is a danger that this education will only go so far if newly qualified surveyors learn bad habits from senior colleagues. To this end, the importance of ethical behaviour needs to be reinforced throughout surveyors' careers through lifelong learning. This was certainly the view of the focus group participants, and also echoed by the interviewees from large firms, for example: 'I would like to see [ethics] not only as being part of the RICS professional standard (which it is obviously) but in terms of continuing those standards once you've become a member and ongoing throughout your career' (Compliance Officer). This is essential to ensure that consistently high standards are applied by all surveyors.

However, education can only go so far in preparing graduates for life in the profession. At some stage, they have to make decisions in relation to choice of firm, and it is not always easy to assess the reputation of potential employers. In order to make informed decisions, new graduates must take every opportunity to gather information about firms through seeking and making use of personal contacts and networks.

RICS has a key role to play in enabling professional networks. In addition to offering support and advice for individual surveyors, particularly those in small firms who have fewer in-house

professionals to turn to for advice and who are less likely to have in-house support or ready access to consultants in terms of HR, finance and legal expertise, such networks can provide opportunities to access and exchange information about potential future employers.

## Conclusions

Drawing on a series of research projects undertaken by the authors whilst at CEM, this paper has argued the ethical stance taken by young surveyors at the start of their working life that can affect the whole of their careers. Newly qualified surveyors should carefully consider the size, culture and reputation of the firms they apply to, as becoming accustomed to a certain way of dealing with ethical issues or potentially learning bad habits from senior colleagues can have a detrimental effect on their career prospects.

Young surveyors' professional stance and outlook is heavily influenced by the senior colleagues in their firms, and they are vulnerable to 'counternorms' that develop within unscrupulous firms. This group needs to reflect on the ethical grounding provided by the APC process, and make use of networking opportunities to assess the reputation of potential employers.

Education also has a significant part to play in trying to tackle the counternorms themselves, through reinforcing good ethics through lifelong learning. Experienced surveyors, who play a significant part in shaping a firm's culture, need to be reminded of the benefits of good ethical practice, not only for themselves as an individual but also for the organisation as a whole, and the dangers of bending the rules. This is essential to ensure that high standards of ethical behaviour are maintained within the profession.



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