

## Challenges, core competence development and future prospects of appraisers in the VUCA era

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**Abstract:** The VUCA era is a world that is more difficult to predict and turbulent. Appraisers face many challenges, the structure of professional capacity needs is changing, the half-life of knowledge and ability is shortened, and the ability to prepare for the entire career needs to be prepared. The appraisers develop and maintain core competencies and continue to drive the industry with unique strengths and qualities. Innovate the assessment education of colleges and universities, create a learning ecosystem, and establish a lifelong learning mechanism for appraisers.

### 1. The emergence and development of the concept of VUCA

The concept of VUCA was first proposed by the US Army War College after the end of the Cold War. It describes a more unpredictable and turbulent world, composed of Volatility, Uncertainty, Complexity, and Ambiguity. Then Bob Johansen applied to the commercial field in future research institution [1]. VUCA accurately described the fourth industrial revolution that took place under global internationalization, artificial intelligence and broader technologies are changing almost every field of human endeavors. At the same time, climate change, demographic changes, immigration, social, political and economic conditions are likely to show great turmoil. Society, companies and organizations around the world suddenly find themselves in similar social and economic environments. After the 2008 financial crisis, this concept has been more widely promoted and extended to many fields such as economy, management and education.

In 2010, the AICPA initiated a grassroots effort focused on harnessing the insights of CPAs, business leaders, regulators, thought leaders and futurists into the continuing evolution of the CPA profession. Called CPA Horizons 2025, this visioning initiative built on the ground-breaking work of the CPA Vision. CPA Horizons 2025 extends that original vision into the future. The project examined the local and global trends affecting CPAs, in their daily work, enlisted opinions on how these trends will impact CPAs in the years ahead, and how the profession could meet the challenges and leverage opportunities now and in the coming years. As part of this process, we examined the current and future relevance of our Core Purpose, Values, Competencies and Services identified as part of the CPA Vision Project [2]. To facing the VUCA challenges, in 2016 year, two of the world's most prestigious accounting bodies, AICPA and CIMA, have formed a joint venture to establish the Chartered Global Management Accountant (CGMA) designation to elevate and build recognition of the profession of management accounting. This international designation recognises the most talented and committed management accountants with the discipline and skill to drive strong business performance. CGMA designation holders are either CPAs with qualifying management accounting experience or associate or fellow members of the Chartered Institute of Management Accountants [3].

The assessment is a highly integrated and marginal compound subject that emerges on the basis of social division of labor. It involves a wide range of knowledge and needs to have high professional skills and is closely related to various industries. The environment in which the appraiser is located will undergo tremendous changes and will also pose challenges for the training of assessment talents.

## 2. The challenge faced by the appraisers

In the context of the VUCA era, there will be tremendous changes in the assessment of talent demand: the advancement of economic globalization, the widespread use of high technology, the continuous innovation of business models and trading methods, and the increasingly complex organizational economic activities facing the industry. More professional judgment is needed in business processing. The structure of the ability of the appraiser is changing, the half-life of knowledge and ability is shortened, and it is necessary to prepare for the entire career.

### 2.1 The advancement of economic globalization, the degree of internationalization is getting higher and higher

The process of globalization and integration of the world economy has been greatly accelerated. Cross-border asset acquisitions and restructurings have been carried out at an unprecedented scale and speed, and the types of economic business have become increasingly complex. Appraisers will also face increasingly complex standards and global customs. Take China as an example:

#### 2.1.1 Analysis from “foreign investment into the China market”

As of the end of December 2017, China had established a total of 900,000 foreign-invested enterprises, and the actual use of foreign capital was approximately US\$1.9 trillion. Compared with the background of global real-time investment flows falling by 23% in 2017, China’s foreign investment has been impressive growth [4]. The establishment, listing, mergers and acquisitions, financing, investment and other economic activities of foreign-funded enterprises require assets is required the participation of experts.

#### 2.1.2 Analysis from “China’s capital to international market”

By the end of 2017, 25.5 thousand Chinese domestic investors had established 39.2 thousand FDI enterprises (hereinafter referred to as “overseas enterprises”) in 189 countries (regions) globally. The year-end total assets of overseas enterprises were \$6 trillion. The quantity of China’s outward FDI flows ranked third in the world, only behind the United States (\$342.27 billion) and Japan (\$160.45 billion). Foreign mergers and acquisitions were extensive, and the scale of overseas financing reached record high [5]. Investing in the international market also requires the assessment agency to provide professional services such as due diligence, financial advisory, value assessment, and M&A advisory.

These changes in the environment provide a vast world for assessment industry. At the same time, it also puts forward higher requirements for the evaluation industry. The appraisers need to have an international vision, a good foreign language ability, a high professional quality and a moral quality.

### 2.2 The rapid development of big data, artificial intelligence, Internet, cloud computing, blockchain and other high-tech

The disciplines used in big data technology cover a wide range of topics, including computers, information science, and statistics. Under the era of big data, the traditional manual operation pattern in the evaluation industry has been completely broken, and with the accelerated development of artificial intelligence, Internet, big data, cloud computing, blockchain and other scientific technologies, it has brought the opportunities and challenges of the evaluation industry. The use of big data technology can save labor costs, prevent risks, and improve the accuracy of assessment. For example, in the real estate appraisal, the real estate transaction market in each region can collect local real estate transaction data, establish a massive database, evaluate the company to make full use of big data technology, analyze relevant information data in detail, and use artificial intelligence and blockchain technology. Valuate real estate valuations more fairly and objectively. With the continuous improvement of high-tech, a large number of traditional appraisers will face major challenges, and traditional positions will be reduced. These jobs may be completed by robots in the future. The future world is a world where people and robots are mixed. At the same time, higher requirements are placed on the appraisers’ abilities, and the appraisers need a complex, multidisciplinary knowledge background.

### **2.3 Continuous innovation of business models and trading methods, increasingly complex economic activities**

In the VUCA era, business models have gradually become a core factor in competition among enterprises. Enterprise technology innovation can transform new technology into productivity and generate new products; however, business model innovation can realize the commercialization of new technologies and core products. The innovation of business model puts higher requirements on the appraisers' ability, and the evaluation method also needs innovation. It is a prerequisite for more accurate evaluation of enterprise value to understand the growth of the enterprise and the change of the industry from a longer time perspective. How is the valuation of information resources such as? How to evaluate the advantages of platform resource integration? How to evaluate a large number of users? Traditional market evaluation way, discounted cash flow method, and replacement cost method are not applicable at all [6].

Despite their years in existence, most of these unicorn companies aren't making money and are far from becoming profitable, according to a Wall Street Journal analysis. Of the eight private companies the Journal analyzed, only one-Cloudflare Inc.-is profitable on an annual basis, according to Dow Jones Venture Source data. Cloudflare declined to comment. Lyft's \$911 million annual loss is more than that of any U.S. startup that has ever gone public, and decade-old Uber has been losing more than \$800 million a quarter[7]. So, to these unicorn companies, the traditional valuation technology way is based on the profit of the enterprise, and the method of forecasting the cash flow of the enterprise based on linear growth is gradually invalidated.

### **2.4 The extensive use of fair value, the demand for professional judgment is getting higher and higher**

In the era of VUCA, how to ensure the relevance of accounting information is a hot issue. From the perspectives of confirmation, measurement and disclosure, many accounting scholars explore ways and means to improve the relevance of accounting information. Professor Huang Shizhong (2019) proposed that as Finance plays an increasingly important role in economic development, with the continuous iteration of information technology and the rapid development of business models, with the continuous improvement of valuation theory and valuation models, the fair value accounting will be perfected day by day, becoming the main measurement model in the 21st century [8].

In July 2014, China revised and published the "Accounting Standards for Business Enterprises". Of the 41 specific corporate accounting standards issued, 27 have applied fair value measurement. The application of fair value in accounting practice has pushed China's assessment into a new stage of development. "Accounting Standards for Business Enterprises No. 39 - Fair Value Measurement" stipulates that an enterprise's measurement of related assets or liabilities at fair value should be based on valuation techniques that are applicable under current circumstances and that are sufficiently supported by data and other information. The work of the appraisers is very important in determining fair value, and the appraisers' requirements for professional judgment are also increasing.

In order to strengthen the management of the assessment industry, the quality of the assessment is guaranteed. In recent years, the Chinese government has taken a series of major measures. In 2016, the Assets Appraisal Law was reviewed and approved by the Standing Committee of the National People's Congress. For the first time, the legal status of the asset appraisal industry was clarified, and a new era of legal governance and legal practice was initiated. In order to standardize the assessment of the practice industry, the China Asset Appraisal Association has revised the Asset Evaluation Guidelines, which include: 1 basic standard, 1 professional ethics and 25 practice standards, and all be implemented in 2017. China's assessment industry has industry standards and is increasingly strict.

## **3. The evaluation of the core competence of the appraisers**

### **3.1 The core competence of the appraisers in the VUCA era**

In the context of VUCA, the competition between the assessment talents is becoming increasingly fierce, if one adheres the skills and experience of the past even become a paradox for one's

development. The appraisers should have core competencies, with unique advantages and qualities, and continue to promote the development of the industry in the future, which is also the key to maintaining market competitive advantage and differentiated advantages. Drawing on CPA Horizons 2025, report on the capabilities that appraisers should have [9].

#### *3.1.1 Objectiveness*

The appraisers maintain independence, impartiality and objectivity, act with integrity, and adhere to strict professional ethics standards.

#### *3.1.2 Competency*

The appraisers are proficient in assessment techniques and have a high level of professional knowledge and knowledge.

#### *3.1.3 Communication skills*

Appraisers can effectively communicate with stakeholders and exchange reliable and meaningful information.

#### *3.1.4 Critical thinking skills*

Appraisers have critical thinking, can handle challenging problems, and use professional judgment to develop relevant solutions.

#### *3.1.5 Adaptability*

Appraisers adapt to the changing needs of the world around them by identifying strategic directions and opportunities.

#### *3.1.6 Insight*

Appraisers can use technology to analyze and use data to gain insight into events and provide savvy guidance for better business decisions.

#### *3.1.7 Integration and Collaboration*

Appraisers can integrate resources, improve work efficiency, and solve multidisciplinary and complex problems in a cooperative manner.

### **3.2 The path of the appraisers in the VUCA era**

The challenge in the field of education is that under the traditional teaching method, when students are studying at university, they are taught to think and solve problems in a linear way. In the context of VUCA, because there are more variables, it is more difficult to assess the industry and the risk of assessment is intensified. Appraisers need to focus on developing their problem-solving skills to deal with the problem of not having a “clear solution” in this turbulent world. VUCA is a concept put forward by the US military. On the battlefield, the generals require soldiers to complete a military target without giving specific plans. The soldiers use flexible methods to complete military targets. In the business world, people need to be very clear about their goals in the VUCA world, but how to achieve them is very flexible.

In the era of VUCA, traditional teaching model needs to change, and teaching reform should shift from knowledge transfer to ability cultivation and deep integration. Innovative assessment of talent development, making this career wider and deeper, with the ability to insight and solve unknown problems, to protect and create value for the whole society.

#### *3.2.1 Constructing a learning ecosystem for the evaluation of talents in higher education*

Problems in the evaluation of higher education: the goal of talent training is not clear; the curriculum system is not scientific enough; the professional related textbooks are insufficient, the content is mostly concentrated on the principle of asset evaluation, the experimental teaching materials are rare; the teachers' practical ability needs to be improved; Weak, curriculum content and teaching methods lag behind new situation changes and social development.

The cultivation of assessment talents in universities should be innovate and create a learning ecosystem. A learning ecosystem is a system of people, content, technology, culture, and strategy, existing both within and outside of an organization, all of which has an impact on both the formal and informal learning that goes on in that organization[10]. Paul J. LeBlanc(2018) The need for a coherent learning ecosystem in which learners move in and out over a lifetime with a far greater variety of providers and granularity of learning experiences[11].

### *3.2.1.1 Evaluate associations, evaluation firms, and universities to collaborate to create a basic framework for learning ecosystems*

Create opportunities for evaluation associations, evaluation agencies, and universities to collaborate and develop production, learning, research, and 3D collaborative innovation. Firstly, establish an evaluation industry college, absorb evaluation associations, professionals of evaluation firms, university teachers and other representatives to set up a council to carry out long-term and effective cooperation. Secondly, jointly determine the appraisers' talent goals, design training programs, and compile teaching materials to combine daily on-campus and off-campus learning. Thirdly, encourage teachers to go to the evaluation firms to participate in practice, especially to participate in the practice of overseas assessment projects, and to develop the teaching and research capabilities of teachers. Finally, universities provide thinktank, to support evaluate associations and assessment firms, and to transform research capabilities into productivity.

### *3.2.1.2 In the teaching process, pay attention to practical teaching, and integrate virtual world with real world learning*

In the evaluation of talents, we pay attention to practical teaching, so that future appraisers can master work skills and be able to cope with the increasingly complex VUCA working environment. Using virtual simulation techniques, try to consider ways to enable immersive learning and use scenario planning. Teachers plan scene exercises in teaching, guiding students to immerse themselves in the assessment work and enabling them to experiment with different methods. Students are rooted in content knowledge, inspire Curiosity, lead learning with interest, and foster a curious mindset that helps students better predict and manage complex and unforeseen problems and adapt to changes in the VUCA era.

A university in Singapore introduced its UNIS-X experiential learning pedagogy to prepare her students with future work skills to cope with a VUCA work environment. The UNIS-X approach encompasses four principles (project-based learning; interdisciplinarity; close collaboration between faculty and external partners; and active mentoring) in a single course [12].

Fujian Jiangxia University has made a powerful exploration in assessing personnel training. In July 2017, Accounting school of Fujian Jiangxia University, together with Fujian Asset Appraisal Association and several large-scale asset assessment firms in Fujian Province, established China's first "Asset Assessment and Financial Service Industry school. At the same time, builds an asset evaluation research center, an asset evaluation experiment center, and an asset evaluation university innovation and entrepreneurship center. These works try to achieve three-dimensional deep integration of production, learning, and research. Reinvent the practical teaching system in the evaluation of talent training programs. The four modules of knowledge innovation ability + knowledge application ability + innovation ability + career growth ability are constructed to cultivate students' practical innovation ability. The teachers go deep into the evaluation project and collect and organize the first-hand case materials. Universities, evaluation firms, and software companies work together to design and evaluate virtual simulation experiment teaching projects, including asset appraisers training platform, real estate assessment, mechanical equipment evaluation, intangible assets assessment, and enterprise value assessment.

### *3.2.2 Establish an lifelong learning system for appraisers*

#### *3.2.2.1 Guarantee the quality of the appraisers' certificates and let the appraisers be proud of the industry they are engaged in*

The content of the assessment should keep pace with the times, pay more attention to foreign language skills and cross-cultural awareness, and maintain the competitive advantage of the appraisers in the VUCA era.

#### *3.2.2.2 Establish an assessment system for continuing education*

In addition to traditional face-to-face training, U-Learning is used to provide information technology to an appraiser who can learn from anywhere, at any time, using the technology tools available at hand, to maintain the ability to adapt quickly and predict change.

#### *3.2.2.3 Encourage appraisers of different ages to create opportunities and learn from each other*

Encourage young appraisers to learn from more experienced professionals and help older appraisers to become more proficient in modern science and technology.

#### *3.2.2.4 The assessment firms recruit diversity appraisers to promote gender and ethnic equality and integration*

The assessment firms recruit diversity appraisers to promote gender and ethnic equality and integration. Appraisers should actively participate in volunteer services and increase the visibility and positive image of the assessment profession to promote work and life in their communities.

#### **4. The future prospects of the appraisers' career**

In the face of VUCA, there are joys and sorrows. For example, during the Internet bubble between 1995 and 2001, the stock prices of Internet and information technology-related companies rose rapidly in multiple stock markets in Europe, America and Asia. On March 10, 2000, the NASDAQ Composite stock market index peaked at 5,048.62 [13]. This is despite an unreasonable hype and has been taken by more reasonable commercial valuations. However, on the other hand, the enthusiasm of this Internet innovation has laid the foundation for greater change. Today, many of these technologies have become mainstream in the economy, such as artificial intelligence, the Internet of Things, blockchain, and robotics. At the same time, changes in global demographics, immigration and lifestyle are adding momentum to the VUCA era. Surviving companies, such as Google, Amazon, etc., become multinational giants [14].

The more uncertain the environment, the more you need to see something certain. Uncertainty brings a higher level of anxiety and insecurity to both individuals and businesses. This anxiety and insecurity enhance the thinking of competition to some extent. In the era of VUCA, keeping a clear sense of consciousness, finding shortcomings, and filling the gap will turn into powerful science and innovation and competitive power.

The evaluation industry is a modern high-end service industry and an important professional force in economic and social development. The appraisers are the product of the development of the market economy. The more the market economy develops, the greater the demand for evaluation. In the economic boom, investment increases, needs to be assessed, and when the economy is at a low point, the adjustment of stock assets also needs to be assessed.

The Chinese government attaches great importance to the development of the assessment industry. In 2014, the “Guiding Opinions on Accelerating the Development of Productive Service Industry to Promote Industrial Structure Adjustment and Upgrading” issued by the State Council of China clearly stated that it is necessary to actively develop professional consulting services such as asset assessment.

In 2016, Standard Ranking Institute conducted a statistical study on the employment data of 506 undergraduate majors in China's domestic universities, and released the “2015 Undergraduate Professional Graduates Salary Rankings”, in which the average monthly salary of graduates of asset assessment majors is nearly one year after five years, nearly RMB10000, ranked 13th. The asset valuation industry is very attractive [15]

In the VUCA era, change is inevitable and change will continue. Appraisers must develop, maintain core competencies, be willing to change, and embrace the future.

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