

Diffusion of Valuation Standards among Forensic Accountants Operating in Italian Courts: Exploring Some Inhibiting and Facilitating Factors

Matteo Manera
Mariateresa Torchia
*Grégory Moscato**

I. Introduction

Forensic accounting is considered a “hot topic” in accounting (Crumbley and Smith, 2007). Yet the research in forensic accounting appears to be focused almost exclusively on fraud: indeed, research on valuation is scant, in the context of forensic accounting, while fraud is the “topic of choice” (Di Gabriele and Huber, 2015). This gap deserves attention because valuation remains one of the major topics of forensic accounting. To be useful to practitioners, research in forensic accounting should be expanded, to cover not just fraud, but all topics that fall within the canopy of forensic accountants (Di Gabriele and Huber, 2015).

A survey conducted in the United States (AICPA, 2011) suggests that valuation is likely the most significant practice component of forensic accounting, which is a niche profession. Standardization in the context of valuation is still a little studied subject, in the field of forensic accounting. Nevertheless, high-quality best practices, applied by the global valuation profession, impact on the efficiency of the entire economic system, in other words, on the public interest (Gonnella and Talarico, 2018). Valuations are actually used in a multitude of contexts, spanning from M&As and IPOs, to taxation and, ultimately, litigation and justice services. Robust and reliable valuations influence not only firms and regulators, but virtually everyone in society (IVSC, 2021).

The International Valuation Standards Committee (IVSC) is the independent global standard setter for the valuation profession: they establish international valuation standards (IVS), which promote consistency and professionalism in the public interest (IVSC, 2021). The primary objective of IVSC is to build confidence and public trust in valuation by producing standards and securing their universal adoption and implementation for the valuation of assets across the world (IVSC, 2021). In other words, the objective of IVSC can be interpreted as the adoption and diffusion of valuation standards. For the IVSC, the International Valuation Standards (IVS) are standards for undertaking valuation assignments using generally recognized concepts and principles that promote transparency and consistency in valuation practice (IVSC, 2021). IVSC also provide this definition of valuation: “the act or process of determining an estimate of value of an asset or liability by applying IVS” (IVSC 2021).

In Italy, the Organismo Italiano di Valutazione (OIV) is the valuation standards setter. This organization is supported by numerous institutions, among which the chartered accountant association CNDCEC (PIV, 2015; Introduction). In 2015, OIV issued the Principi Italiani di Valutazione (PIV), with effect as of 2016. Professional work is compliant with the PIV, if the expert decides and declares to use the PIV and abides by the “Code of Ethical Principles for Professional Valuers” issued by IVSC; also, the experts shall declare their expertise in relation to the specific valuation domain (PIV, 2015; Introduction).

The PIV are structured on five macro-chapters, that can be summarized as follows, in a nutshell. The introductory part (“Introduction”) describes the OIV, the goal of the PIV, the contents of the PIV as well as the date of first introduction of the PIV (2016). The first part (“Conceptual Framework”) is inspired to the same logics of IVS Framework, in particular that valuation standards are “high-level”, that is principle-based. The second part of the PIV (“Work of the expert”) outlines the ethics of the expert. The third part (“Principles for specific assets”) deals with specific situations, for instance, the valuation of a business and the valuation of assets in a liquidation. The fourth part (“Particular situations”) deals namely with valuation in M&A situations.

For the sake of the present work, we assume that valuation standards are a powerful instrument, to reduce subjectivity, serving as a cornerstone, to enhance the legal principle of a fair trial. Naturally, valuation standards necessarily still imply a certain degree of professional judgement: a valuation is reliable and of good quality, if the

expert can represent the reality in a non-distorted and complete manner (PIV, 2015; Introduction). Assuming valuation standards reduce subjectivity implies that valuation standards can contribute to a fair trial, because they reduce arbitrary decisions on the value of an asset or of a liability: this, in principle, by enhancing quality of the valuation (for instance, in terms of robustness and replicability of the valuation process) and independence of the expert.

Notwithstanding the relevance of valuation standards, their use is not mandatory, in Italy: it cannot be safely assumed, that every judge decides on valuation matters, based on a forensic accountant's work performed in line with valuation standards. In fact, valuation standards are not the law, in Italy and in numerous other jurisdictions. In Italy, the standard setter is a foundation (i.e., a non-for-profit organization, which cannot impose the Italian standards of valuation. Even if OIV encourages professional associations to demand that their members abide by the PIV and exhorts non-members to voluntarily abide by valuation standards (PIV, 2015; Introduction), there is no legal obligation for forensic accountants to use the PIV, nor for the judge to stick to valuations which are compliant with the PIV: that is, in Italy there exists freedom to adopt or not to adopt valuation standards. Rulings of the Corte di Cassazione (Italian Supreme Court) even state that the judge can always deviate from the opinion of the forensic accountant nominated by the tribunal even if PIV compliant or not, provided that the judge illustrates the logical motivation for such diversion (Corte di Cassazione, 5148/2011). On top of this, for individuals and organizations to follow a standard, it is not sufficient, according to literature, that a standard merely exists (Brunsson and Jacobsson, 2002).

Given how relevant it is for justice, that forensic accountants adopt valuation standards (this is what we assume in the present work), here comes the challenge, under the managerial standpoint: it seems hard, to estimate how many forensic accountants actually do not use valuation standards and why. No specific statistics seem to exist, as far as we know. There seems to be a research gap: there is no previous work in literature, dealing with the adoption and diffusion of valuation standards among Chartered/Certified accountants, in particular among forensic accountants. The literature is apparently focused on the importance of valuation standards, especially in terms of quality, while other aspects seem to be overlooked. Hence, it is compelling to qualitatively provide a theoretical framework, to study motivations and barriers to adoption and diffusion of valuation standards in courts. We assume that the standards Setter might be interested in research exploring the extent to which valuation standards are used in courts, as well as potential leverages to foster diffusion. Given the fact that the standards setter that issued Italian valuation standards is a foundation backed mostly by public entities, we also assume that diffusion of valuation standards would be desirable for the OIV, in terms of public interest. In fact, "the power of standardization depends on whether standards are actually implemented" (Timmermans and Epstein, 2010).

This study aims at answering the following research question: what are fundamental motivations, perceived benefits and barriers, associated with the adoption and diffusion of valuation standards among forensic accountants? We can define "adoption" as the acceptance to use something (Cambridge Dictionary, 2021), while the term "diffusion" refers to a social process by which an innovation is communicated over time among the members of a communication network or within a social sector (Dearing and Meyer, 2006).

We attempt to answer our research question, by using qualitative methodology. Our study, designed to meet criteria for qualitative research, is based on non-experimental exploratory research, via semi-structured qualitative interviews (interview guideline in Annex 1) to a sample of forensic accountants operating in Milan, Italy. In the interviews, conducted in late 2021, we observed discourses around the use of the PIV by the interviewees, in the (over) five years following the introduction, that is in the period from early 2016 through late 2021.

Under the theoretical standpoint, our study produces confirmatory findings as well as innovative contributions. Among other things, we found that—in the perception of most of the 12 interviewees—valuation standards increase performances and improve quality of valuation, even if valuation standards might be used by far less than 50 percent of forensic accountants in Italy.

This work is intended to pave the way for further qualitative and especially for quantitative research (namely via surveys) in this field. In particular, we hope that a better understanding of agency theory and signaling theory, applied to the context of forensic accounting in court (where the forensic accountant is freely chosen by the judge), may foster diffusion of valuation standards in tribunals, under our current assumption that this can help bring about more just and fair trials.

II. Theoretical Framework

Forensic Accounting and Valuation

Forensic accounting deals with the communication of financial information; it requires special skills, besides accounting, that are not in the usual domain of accountants: auditing procedures, tax, finance, quantitative methods,

research, investigations and knowledge of certain areas of the law; in many cases, forensic accountants interpret financial issues and communicate opinions to the court, giving reference to evidential matter, that may deal with the truth or falsity of an assertion about a fact (Crain et al., 2019). Forensic accounting focuses on two concepts: perception and reality. The role of the forensic accountant is to bring the reality closer to those who perceive it and report on the substance of that reality (Rechtman, 2020). Valuation standards are deployed in courts, by means of the professional work done by forensic accountants. Forensic accountants are a qualified subset of the users of valuation standards and contribute to the efficiency of the judiciary.

Di Gabriele and Huber (2015) have navigated into underexplored areas of forensic accounting research, scanning the literature published in the field of forensic accounting. For the authors, forensic accounting is a multidisciplinary field, and it is appropriate and necessary that research in forensic accounting is conducted in all aspects of such disciplines (i.e., not just about fraud). In their article, Di Gabriele and Huber point out—as Crumbley and Smith had observed—there are few of the manuscripts on valuation published on the *Journal of Forensic and Investigative Accounting*: only six out of three hundred and thirty-six research papers examined in their literature review (that is 1,6%) dealt with valuation. Valuation is driven by practice, but it remains apparently ignored in the forensic research. This problem is a cause for concern, as “practitioners do not find research published in academic journals to be useful” (Di Gabriele and Huber, 2015).

Standardization

Standardization, which can be defined as a process of constructing uniformities in time and space, by means of agreed-upon rules (Timmermans and Epstein, 2010), plays a role in the daily valuation activities performed in court. Standards are backed up by external bodies, such as professional organizations (Timmermans and Epstein, 2010) and offer a common frame of reference. However, most standards are arbitrary and not absolute because most of human activities requires a value judgement. It is the European Committee for standardization, that provides a precise definition: “A standard (French: norme; German: norm) is a technical document designed to be used as a rule, guideline or definition. It is a consensus-built, repeatable way of doing something” (European Committee for standardization, 2021).

The study of standardization is relevant to numerous core aspects of modernity and poses sharp questions for democracy, the most relevant of which is probably “what does it mean, to be nonstandard, in a world where standards reign?” (Timmermans and Epstein, 2010).

Standardization in valuation consists of adopting standards, with the aim of reducing subjectivity in determining the possible value of one or more assets and/or liabilities. According to Marcello and Lucido (2016), the initiative of standard setters (such as the Italian one) can be interpreted in two ways: on the one hand, valuation standards spread a “culture of valuation”; on the other hand, valuation standards offer indications of the way to proceed when performing valuation judgements (Marcello and Lucido, 2016). In principle, valuation standards guarantee that valuation contains all information necessary, so that a non-expert can understand the valuation path, the robustness of the analysis and the completeness of information basis (Bini, 2019). The term “non-expert” has no connotation other than the need for differentiation from the concept of “expert”. For the sake of our study, we assume that judges are experts at law while “non-experts” in the niche domain of valuation: this because, to the best of our knowledge, valuation seems not to be part of the ordinary university curriculum, in most of legal schools in Italy. We cannot overlook that some judges may build up an extensive, practical experience on valuation, for example because they interact every day with forensic accountants in courts. Nevertheless, numerous legal systems are based on procedures in which “non-expert” judges are required to evaluate expert scientific testimony (Ribeiro, 2013).

Motivations, Benefits, and Barriers Behind Adoption and Diffusion (in General) of Standards

Forensic accountants may adopt valuation standards, because of some profound motivations. In addition, from a utilitarian perspective, they may perceive the adoption generates benefits. Also, there could be perceived barriers that prevent some forensic accountants from adopting valuation standards. Facilitating and inhibiting factors observed in adoption and diffusion of standards (in general) can serve also to explain valuation standards adoption particularly among forensic accountants, with some specificities.

When it comes to Psychology, motivation theories postulate that people initiate and persist at behaviors if they believe such behaviors will lead to desired outcomes or goals. This assumption has led motivational researchers to investigate the psychological value of goals. Chandon and Arnaud (2009) have shed light on the work of motivational psychologists. According to Chandon and Arnaud, self-determination theory is structured on every human being’s willingness of self-determination through the satisfaction of three types of inborn fundamental needs: the need for autonomy (the need to self-arrange one’s own experience, so that one feels they are the master of their own actions), the

need for competence (the need to feel efficacious and face stimulating challenges) and the need for relatedness (the need for social relationships based on mutual respect and confidence). This is a view that, to some extent, seems to be shared by Del Rio Rama and Alvarez-Garcia (2016), in their work on Environment Management Systems (EMAS) standards: the authors distinguish between internal and external motivations and suggest that environmental standards are adopted because of internal motives (such as the quest for efficiency) and external motives (such as institutional factors related to institutional pressure).

Efficiency, in terms of better performance, enhanced productivity and—ultimately—increased profitability, is indeed a motivation for standards adoption. In a study on the adoption of environmental sustainability standards, Del Rio Rama and Alvarez-Garcia state that motivations for adopting environmental standards are mainly the need to satisfy stakeholders, to ensure compliance with legislation, to improve environmental performance, to improve the image of the company, to reduce costs, to increase efficiency and to foster competitiveness. Here, among the main benefits of adopting environmental standards, are improvements in operational processes, improvements in productivity and costs reduction, improvements in the quality of the product or service, improvements in competitiveness, improvement in relationships with stakeholders, as well as compliance with laws and regulations (Del Rio Rama and Alvarez-Garcia, 2016). For other authors (Mackenzie, 2015), valuation standards can improve the reputation and competitive positioning.

When it comes to explaining actions of organizations and individuals, institutional theory is the dominant sociological framework (Garavan and Murphy, 2009). For Kuchinke, institutional theory is useful in explaining actions of individuals in the context of a social system: institutional arrangements, structures and norms determine what individuals can and cannot do and, ultimately, what individuals can and cannot be (Kuchinke, 2000). In fact, both judges and forensic accountants are individuals which operate in the context of organizations, that is tribunals and, more broadly, the judiciary. According to neo-institutionalism, organizational actions follow patterns of rationalized activity, in which socially desirable norms are converted into technical attributes that steer the working modes of formal organizations (Bhimani, et al., 2016).

Social norms drive institutional isomorphism, with the ultimate objective of gaining legitimacy (Bhimani et al., 2016). In organizational studies, legitimacy is a thoroughly studied concept. According to Nikolaeva and Bicho (2011), although the literature has stressed the differences between legitimacy and reputation, the two concepts are the two sides of the same coin: a firm [a forensic accountant] cannot have a good reputation, without gaining legitimacy, which is essential for organizations [for forensic accountants] and is a prerequisite for reputation management. Legitimacy and reputation fall under the umbrella of corporate identity [profession identity] (Nikolaeva and Bicho, 2011).

Scott (Scott, 2010) indicates the existence of three institutional pillars: a regulative pillar, which is made out of laws and regulations; a normative pillar, which is composed of social beliefs, social norms and social values; a cultural-cognitive pillar, which is based on meaning, which is socially constructed by the interaction between the individuals and the context of organizations. According to Garavan and Murphy, institutionalism gives relevance to the cultural-cognitive pillar, which explains diffusion of standards. However, the adoption of standards is more affected by the regulative and the normative pillars (Garavan and Murphy, 2009).

Isomorphism—a theory derived from institutionalism—is ubiquitous in literature when it comes to justifying standards adoption. Isomorphism has been used to explain why multiple organizations show aligned characteristics (Bhimani et al. 2016). Bhimani et al. define three types of isomorphism: coercive isomorphism, which is when firms [read “forensic accountants”] deliberately adopt an innovation [read “valuation standards”], as the sole way to appease key stakeholders [read “judges”]; normative isomorphism, which is when certain norms flow from one institution to another, typically by pressure brought by professionals [read “Chartered/Certified accountants associations”]; mimetic isomorphism, which is when organizations model themselves, following other organizations [read “imitation of other forensic accountants”].

Interestingly, for Brunsson and Jacobsson, standards are one of the mechanisms through which coordination and regulation is reached around the world. The other three mechanisms are markets, States governed by laws and regulations, and normative communities that yield social norms (Brunsson and Jacobsson, 2002).

When it comes to the factors inhibiting the adoption and diffusion of valuation standards among forensic accountants, there could also be a series of barriers. For Del Rio Rama and Alvarez Garcia, in the field of environmental standards, the most important barrier to adoption and diffusion is the high investment required to ensure the effective performance of the systems (i.e., high cost of implementation and maintenance); they further pinpoint barriers such as a lack of knowledge of the existence of standards, personal attitudes, complexity of the standards, scarcity of resources, lack of incentives, lack of training, scarce commitment from management, as well as reduced flexibility as a consequence of adoption (Del Rio Rama and Alvarez-Garcia, 2016).

Motivations, Benefits, and Barriers Behind Adoption and Diffusion (Specifically) of Valuation Standards Among Forensic Accountants

When it comes to motivations, our expectation is that institutionalism and isomorphism apply also to the case of adoption and diffusion of valuation standards among forensic accountants, because literature highlights the role played by isomorphism in the adoption and diffusion of standards in general, for example Corporate Social Responsibility Standards (Bhimani et al., 2016).

As corollaries to institutionalism and isomorphism, we assume that agency theory and signaling theory may also play a role, because the literature (Corbett and Muthulingam, 2007) describes the role of signaling theory in the adoption of environmental standards. Furthermore, agency theory is widely studied in the context of courts (even if not yet, to our knowledge, in the “judge/forensic accountant” relationship). A nexus between agency theory and signaling theory—on the one hand—and isomorphism (especially coercive isomorphism)—on the other hand—can be established: forensic accountants may be motivated in adopting valuation standards, to the extent that such adoption is the sole way to appease their stakeholder, that is the judge, and to the extent adoption of valuation standards can be a way to signal to the judge that their work has certain prerequisites, to pass judicial control.

Agency theory is a stream of economic literature that deals with the organizational problems that arise when—in the context of the division of labor—there are cooperating parties with different goals, who share risks: one party, which is called “principal”, who delegates work to the other party, which is called “agent”, who executes such work. The co-existence issue is twofold: principal and agent usually have different attitudes towards risks; it is not easy, for the principal, to assess whether the agent behaves in the principal’s interest, because of «self-interest», i.e., opportunism (Bosse and Philips, 2016). Agency theory has been deployed in literature to investigate the relationship between judges of higher and of lower courts (Kim, 2011; Nash and Pardo, 2013). Under the traditional principal-agent paradigm, Nash and Pardo argue that the principal has a set of goals in mind and selects an agent to fulfill such goals. It must be noted that the agent has the tendency to shirk, rather than fulfill the principal’s goals. That is why the principal monitors and can punish and even discharge the agent, if the agent fails to follow through on the principal’s wishes (Nash and Pardo, 2013). Notably, agency theory seems not to have been utilized yet, to explore the relationship between judges and forensic accountants. Intriguingly, Nash and Pardo’s definition of the principal-agent relationship seems to work also for the relationship between the judge and the forensic accountant: in fact, *mutatis mutandis*, one could see judges as principals and forensic accountants as agents. Say that a judge, with the goal of objectively determining the plausible value of an asset, selects a forensic accountant. Under the theoretical standpoint, the forensic accountant may have an incentive to deviate from the principal’s goals, because of numerous reasons (for example, conflicts of interest and similar unethical pushes or even time constraints or personal beliefs; it’s noteworthy, that valuation standards usually embed or require the adoption of ethical standards, in order to avoid opportunistic behavior by the users). The forensic accountant has the power to impact on the interests of the judge (one can imagine of a forensic accountant making a clamorous valuation error, that potentially impacts on the claimant and on the defendant and, potentially, on the reputation of the judge). In theory, the judge monitors the work of the forensic accountant, by a quick check of compliance to valuation standards. The judge can even “punish” and discharge the forensic accountant, in case of non-compliance. All these elements suggest that judges and forensic accountants can be seen as in a principal-agent relationship.

Signaling theory is about information transmission, in conditions of information asymmetry (Connelly et al., 2011). Even if not (yet) utilized in literature within this scope, signaling theory looks applicable also to the “judge/forensic accountant” situation: one could think of the judge as the outsider (the non-expert) of valuation, who usually has no familiarity with the valuation process and hence no instruments to appreciate quality of valuation, while the forensic accountant could be seen as the insider (the expert), who masters the financial information and knows how to interpret it. The adoption of valuation standards could be seen as the signal used to communicate to the judge the quality of the valuation performed by the forensic accountant. Connelly (2011) points out that information asymmetries occur when different people know different things. Individuals make decisions on the basis of public information (freely available to anyone) and private information (available only to a subset of the general public). Connelly remarks that information asymmetries is articulated on two types of information: information about quality (which matters, when a party is not fully aware of the characteristics of another party) and information about intent (which plays a role, when a party is concerned about another party’s behavior and behavior intentions); Connelly pinpoints that research on information asymmetries about behavior and behavior intentions focuses on incentives and mechanisms for reducing potential moral hazards (this is, to some extents, similar to what has been previously described herewith, with reference to agency theory and the relationship between the judge and the forensic accountant). Signaling theory, in its basic form, implies the presence of three elements: a signaler, an insider that has information about an individual, a product or an organization, that is not available to outsiders; a signal, when private information, such as imperceptible features, is

communicated from an insider to an outsider; a receiver, an outsider who lacks information. Outsiders gain from making decisions based on information centered on the signal (Connelly et al., 2011). Signaling theory has been studied in the literature, to understand the diffusion of environmental standards (Corbett and Muthulingam, 2007).

Hence, in light of the literature, we expect *ex-ante*, that agency theory and signaling theory would apply in our case, in addition to isomorphism: agency theory, because the judge, non-expert in valuation, needs to select an expert forensic accountant, to manage valuation; signaling theory, as the forensic accountant has to communicate with the judge about a niche domain of knowledge, *i.e.*, valuation. In Italy, it is the judge to freely chose the forensic accountant, among those enrolled in the registry of the court: therefore, it seems appropriate to examine the judge-accountant relationship under the framework of agency and signaling theory, in addition to isomorphism.

The expected main benefits behind adopting valuation standards would be, as suggested by literature on other types of standards. the improvements in operational processes, improvements in productivity and costs reduction (a more rational process may require less time and less people involved), improvements in the quality of the of the service (the valuation work), improvements in competitiveness (reduced fee could be a plus when working with tribunals), improvement in relationships with stakeholders (the judges), as well as compliance with laws and regulations (in this case, quasi-laws and quasi-regulations: in Italy, as in numerous other jurisdictions, valuation standards do not have obligatory effects).

Ex-ante, we expect that some professionals would prefer not to adopt valuation standards, as valuation standards are not imposed by laws, in Italy. Elaborating on the literature in the field of environmental standards, the most important expected barrier to adoption and diffusion would be the high investment, required for the effective performance of the valuation standards (*i.e.*, high cost of first study and continuous study and refresh, that may be required for every new valuation work).

III. Methods

Study Design

The structure of the current study is designed to meet the criteria for qualitative research, namely COREQ (Tong et al., 2007) and Tracy's eight "Big-Tent" (Tracy, 2010). Because no contributions, to date, seem to have been published, on forensic accountants' perceived motivations/benefits/barriers to the adoption of valuation standards, we deployed non-experimental Exploratory Research, in the form of semi-structured interviews to a few Italian experts; this, under a constructivist paradigm, with contaminations from Tracy's "phronetic" iterative approach, *i.e.*, an approach based on practical wisdom (Tracy, 2020). Sample size was practically determined in the field, via saturation (Austin et al., 2021): we continued interviewing, until reaching the point of saturation, where incremental information would not be perceived as relevant for our work. After interviewing 12 experts, we felt that the information we gathered was sufficient. Provided that our selected group is relatively homogeneous, quality of our data seems not poor and the domain of our inquiry looks rather specific (Austin et al., 2021), we determined 12 to be a satisfactory number, for our qualitative interviews sampling (Guest et al., 2006).

Italy is the setting for our research: Valuation Standards—Principi Italiani di Valutazione (PIV) introduced in 2016—are a relatively recent phenomenon; additionally, in Italy it is not mandatory, to adopt Valuation Standards: therefore, it cannot be taken for granted, that every Italian court obliges professionals—at the time the forensic accountant takes oath in front of the judge for the assignment of the valuation task—to prepare their sound opinion on the basis of valuation standards. Hence, it seems logical to presume, that in Italy there exist motivations, perceived benefits and barriers, which are in fact associated with adoption and diffusion of valuation standards in the community of forensic accountants.

In Italy, forensic accountants can be: either CTU, that is Consulente Tecnico d'Ufficio, *i.e.*, technical consultants to the judge; or CTP, that is Consulente Tecnico di Parte, *i.e.*, technical consultants to one of the parties (private parties, in civil and commercial litigations; prosecutor and defendant, in criminal lawsuits). In Italy, the CTU is independently hired by the court. The CTU must be enrolled in the specific register of CTUs and must have an unblemished moral conduct (ODCEC Milano, 2021). Also, the CTU takes the oath, swearing to serve the interest of justice, in the specific case at hand.

Sampling

The websites of the Court of Milan and of one of the universities in Milan were browsed in search for individuals with the status of Certified chartered accountant with experience as forensic accountants. With the aim to realize a maximum variation sample, two clusters were organized: one, with professionals with no regular links to Academia, enrolled in the list of technical consultants to the judge (Milan Court CTUs list, 2021), in the civil and criminal Court

of Milan; another, with professionals enrolled in the list of technical consultants to the judge or with experience of technical consultant to the parties, also serving as university lecturers in Milan, Italy. We wanted to give voice also to those forensic accountants belonging to the academia, because the academic world has extensively contributed to the foundation of the OIV and to the elaboration of the PIV.

Milan is the Italian city with the highest GDP per capita (Sole 24 Ore, 2017; for alternative measures to GDP per capita, to appraise economic relevance, see, among others, Ladaique, 2007).

As a result of the selection process, 30 forensic accountants were targeted. As saturation criteria was used, we reached out to the 30 persons from time to time, not all in a block. Out of these 30, 18 did not respond or gently declined, while 12 accepted to be interviewed.

At the time of the interviews, the professionals were aged between 45 and 75, males and female, of Italian nationality. All of them are experienced professionals in valuation for courts with a minimum of two and a maximum of 100 valuation works performed in the five years preceding the interview.

Procedure and Data Gathering

Participants were reached via a standard invitation e-mail (followed by a reminder, in some cases), in the interviewees' native language, that is Italian. Online meetings, in person or via Microsoft Teams were held, between late September and mid-October 2021. Interviews lasted between 30 and 60 minutes and were conducted in Italian (the English version of the interview guideline is enclosed). The interviewees were asked to provide informed consent. Numerous interviewees preferred not to be recorded, so that they could "speak freely". A double-check of the sense of each answer was performed during the interview where confirmation in writing (via any follow-up request) appeared uneasy to get. Data were anonymized. Transcripts were created from field notes and were revised in the 24 hours following the interviews. No remuneration was awarded to the participants.

Data Analysis

The use of software for coding appeared unsuitable (Basis, 2003) due to the limited number of interviewees who agreed to be recorded. The corresponding author conducted the interviews and elaborated the transcripts. Manual coding was organized around groups of codes gathered into themes. The authors had several Microsoft Teams meetings during the process so to allow for simultaneous data collection and discourse tracing (Tracy, 2020).

IV. Findings

The data analysis process produced twelve main recurrent themes. Below, we give voice to the interviewees, by reporting verbatims.

Italian Valuation Standards Increase Performances and Improve Quality: They are Great!

Italian valuation Standards increase efficiency for forensic accountants. One of them commented: "They help me do the job at my best, for top performances". The consensus of the forensic accountants, who were interviewed, is that Italian valuation standards are an important driver of quality in the valuation process. One expert commented: "Indeed, the PIV improve the quality of valuation." Most of the interviewees identified the PIV as the game-changer of valuation in court. None of the interviewees expressed a negative attitude towards the introduction of Italian valuation standards. A few of them were neutral, but only because they considered the PIV as a codification of previous high-end best-practices and because, according to them, best-practices in extant literature still play a major role. The vast majority of the interviewees showed an enthusiastic, positive attitude (an interviewee even defined them as the new "Magna Charta Libertatis") towards the introduction of the PIV, mostly because of the major impact in terms of standardization. Another fervent user of Italian valuation standards remarked, in a quasi-millennial jargon: "I have been a follower of the PIV since their introduction. I am even in the community mailing-list!". One of the interviewees mentioned that, because of the introduction of the PIV, "there was a positive evolution, in terms of robustness of valuation". Another interviewee recalled an interesting anecdote: "In my specific experience, the PIV were unexpectedly useful, once: the counterparty (a high-end expert) used them, but made a mistake, which was easy to demonstrate by simply showing the text of the Italian valuation standards to the judge. In addition, Italian valuation standards are useful, because the judge can double-check autonomously, without being oriented by 'posh' consultants." When questioned, an interviewee stated: "I think Italian valuation standards are tendentially useful and that everybody should use them". Another expert remarked that "The PIV have excellent and commendable aspects". However, one of the interviewees commented that the introduction of the PIV was "positive, for the few who master Italian valuation standards."

Italian Valuation Standards Promote Independence and Reduce Subjectivity

Independence is one prerequisite that the expert must have when they declare they have used PIV in a valuation. According to an interviewee, “Today as yesterday, the parties sometimes try to adjust valuations in a way that fits their own interest.” This is probably why, another interviewee metaphorically remarked: “Since the introduction of Italian valuation standards, there is a new, precise center of gravity, towards which everybody has to tend” going on to say “the PIV are important, because it is fundamental to be independent and free”. As expected, Italian valuation standards were perceived by interviewees as a standardizing force. One expert stated: “Italian valuation standards are objective and undisputable.” An interviewee commented: “I think that forensic accountants simply use Italian standards of valuation because valuation, in and of itself, brings with it a lot of uncertainties”. One of the experts mentioned that Italian valuation standards have brought along “much more standardization, more uniformity. However, it may vary from court to court, especially outside Milan ...”. Naturally, the PIV aim to reduce, not eliminate, subjectivity. One of the interviewees noted: “If you have 10 different appraisers, you may find 10 different estimates for the growth factor ‘g’ and ten different estimates for the discount factor ‘wacc’. Italian Valuation standards are important, because they set sort of boundaries, between which valuation shall be freely conducted.” Another interviewee remarked: “By using Italian valuation standards, I try to reduce the arbitrary/subjective component of valuation.” One of the interviewees mentioned neutrality, in association with the PIV: “I think that Italian valuation standards encounter resistance, because, in comparison with best practices [i.e., literature], they can be less instrumental to pursuing the specific interest of each party, as Italian valuation standards are neutral.” One of the experts noted: “I think it is a matter of convenience: if one wants to push the valuation into a certain direction and the Italian valuation standards supports this, then the professional chooses to use Italian valuation standards. Vice-versa, in case the valuation standard would leave no room.” Another interviewee noted: “often, the PIV permit you to unveil foolish valuation, backed by lack of good faith from the other party.” The same commented: “Thanks to Italian valuation standards, the direction we are going to is objectivization of valuation criteria and of the modalities of preparation of the valuation ... but among top-level appraisers”. For a few forensic accountants, standardization may have some drawbacks.

An interviewee stated: “The PIV are great, but the correct way to use the PIV is to contextualize them in the concrete reality of the company or of the asset. Nowadays, many appraisers do valuations with ‘formats and flags’, without caring about the focus, that is a thorough understanding of the individual firm/asset. Every company/asset has distinguishing features. One must adapt them to the specific reality. Every company has its own specificities, because of the specificity of the entrepreneur and/or of the craftsmanship of the employees. All too often (when using Italian valuation standards), forensic accountants do not spend sufficient time in describing the specificities of the corporation or of the asset.”

Italian Valuation Standards Prevent “Censorship” and Protect Forensic Accountants

For an interviewee, “The PIV represent a standard reference, to which judges rarely oppose.” An interviewee, all of a sudden, firmly stated: “Woe to you, if you don’t use the PIV! If valuation is not in line with the PIV, it can be easily censored”. A comment from an interviewee was: “I believe forensic accountants adopt the PIV to be safeguarded, i.e., not censored. For those who do not use the PIV, that is a minus”. Another expert said: “... as these standards are issued by a standard setter, they are recognized by third parties: if you don’t use them, your valuation can be censored and not pass critical revision by the judge.”

Italian Valuation Standards are Principle-Oriented and are Used as a Reference

Italian valuation standards are necessarily principle-based, not rule-based. One of the interviewees remarked: “Being valuation standards general principles, they do not solve certain practical methodological aspects ... for example, Monte Carlo simulation is fundamental, but is neglected by Italian valuation standards”. Similarly, another interviewee commented: “The only slowing factor is that the PIV are very general, I would need some more specific guidance”. One interviewee even stated: “I always take a look at Italian valuation standards. Sometimes, however, I find no practical contribution from them”. Another interviewee added: “Valuation is a tough subject because it implies a lot of discretionality. This looks inevitable.” Similarly, one interviewee commented: “To me, Italian valuation standards are a must and are at the same level as ‘best practices’ (that is literature and jurisprudence). The issue is that, because of their being principle-based, they are at a high level and not everybody uses them: sometimes they may look unclear and not easy to use. However, nowadays, they are a cornerstone.” Interestingly, one interviewee noted: “Not a barrier, but a slowing-down factor is that you have to contextualize them into the concrete situation. The PIV are principles, so they just provide you with a method.”

Most of the interviewees claim that they always use valuation standards, but when applicable and as a reference, that is, not as a cornerstone. An interviewee said: “I used best practices, specifically, literature. I utilized Italian valuation standards as confirmation, as a benchmark. In some cases, this was even due to Italian valuation standards lacking indications, to treat the specific case”. One interviewee used a nice metaphor: “Italian valuation standards are just like

‘the second commentator in a football match’, where the first commentator is the literature; actually, they are a ‘nice to have’, even if they are too general, but it couldn’t be any different: using Italian valuation standards prevents from being censored.” Another interviewee stated: “I have some reservations about their use as stand-alone instrument, not paired with literature.”. Similarly, one interviewee commented: “The PIV are an undeniable reference”. Another interviewee noted: “The PIV represent a standard reference ...”.

Italian Valuation Standards Require a Lot of Resources

According to an interviewee, “the typical Chartered accountant has little time ...” The same expert commented: “You should have asked me, why valuation performed by forensic accountants is not regulated by means of a minimum fee”. Another interviewee commented: “Clarity and conciseness are important factors. The PIV are 375 pages long ...”.

Italian Valuation Standards are Just for the Few

One interviewee noted: “Italian valuation standards remain for the few: especially older colleagues and colleagues which do ‘small’ valuations (valuations of small firms or of small assets) are not familiar with the PIV.” There seems to exist a size factor in the use of the PIV. Valuation standards in Italy seem to be perceived as intended for big valuations, which are in the domain of the few. One of the experts denoted the high level of technicality in Italian valuation standards, suggesting: “It would be preferable if appraisers were enrolled in a separate register, because a specific expertise is necessary, to master Italian valuation standards!”. An interviewee noted: “Thanks to Italian valuation standards, the direction we are going to is ..., but among top-level appraisers”. One expert commented: “You know, one is skeptical, towards the unknown. This, especially for older colleagues.” Another interviewee commented: “Knowledge of the PIV is often taken for granted ...”.

Italian Valuation Standards are Adopted Spontaneously

Few of the interviewees believe that Italian valuation standards are adopted just to mimic colleagues who use them. In a few interviews, there were comments like “Maybe the younger imitates the older ...” or “... for some professionals, the PIV are just ‘fashionable’: many forensic accountants even just make a quick initial reference to Italian valuation standards, without even having ever read them”. However, most of the interviewees stressed that adoption is sincere and not caused by the imitation of other forensic accountants. Quoting an interviewee: “Adoption is genuine. Those I know, who adopt Italian valuation standards, are convinced.” One expert remarked: “... most of the times, rather than imitating, one sees an unknown topic and goes to study it, because of a ‘learning effect’ or because of the need to confute the other party”.

Italian Valuation Standards and the Promotion by Professional Associations

When asked if professional associations played a role in the adoption and diffusion of Italian valuation standards among forensic accountants, an interviewee replied: “I do not think professional associations are very active on this. Perhaps, the profession of chartered accountant is largely made out of generalists, focused on the preparation of financial statements and tax returns. Italian valuation standards deal with valuation, which is a minor part of the job for most of chartered accountants. Italian valuation standards are a topic of interest more for the ‘Big 4’, for instance, rather than for average chartered accountants”. Another expert remarked: “Associations could push more on the diffusion of the PIV: they should do more continuous learning courses on the PIV. However, bearing this in mind, Italian valuation standards are not just for an elite, but I believe they are not for the totality of chartered accountants, who are mostly general practitioners”. Similarly, an interviewee noted: “I don’t recall, professional associations being very lively, in promoting the PIV via, for example, continuous-education events”. Also another expert observed “Associations play some sort of role, as they are the ‘extensors’ of knowledge: associations shall educate colleagues and the PIV shall be spread more by associations”.

Italian Valuation Standards and the Rule of Law

In Italy, valuation standards were not adopted into the law. One of the interviewees stated: “Italian valuation standards have become an authoritative interpretation practice. It works much like for accounting standards: they are not the law, but nobody in practice goes against them.” One remark was as follows: “Even accounting standards are not the law, but almost no one dares deviating, because they are decades old and they have a double link with civil norms and tax norms. For Italian valuation standards, it will take time, before they become a solid reference”. One interviewee commented: “I think Italian valuation standards can’t have the same force as the law, otherwise they would be too ‘pressing’. Not even accounting standards are the law. For the time being, this is fair enough. The PIV are a big book, it would be unfeasible, to convert them into a law.” Similarly, one person said: “I do not see it appropriate, for Italian valuation standards to become the law: they are just theoretical guidelines, that are conditioned by a modelling in continuous evolution; at the end of the day, the value of a thing is its price on an arm’s length transaction: a model, will

be, in almost all cases, far away from reality”. Instead, another expert noticed: “It is just a matter of time. As soon as jurisprudence will state that not abiding by the PIV implies a misrepresentation . . . , then things will change”. Another interviewee remarked: “We have to wait for jurisprudence, to put the PIV on the same level as the law”. By contrast, another interviewee stated: “If the PIV were the law, it would be better. The PIV are just recommendations, so they play no deterrence factor. This slows down diffusion.” Again, another expert mentioned, “If one thing is not compulsory by law, you are not obliged to stick to it: until jurisprudence will state the use of Italian valuation standards as being mandatory, few will abide”.

Italian Valuation Standards are in the Domain of a Limited Number of Judges

One expert said: “Judges don’t even know about Italian valuation standards. They trust their CTU [consultant to the judge]. The CTU recaps to the judge the content of the valuation works of two CTP’s [consultants to the parties]. The judge and the CTU have a trust-based relationship.” An expert remarked: “Some judges understand whether the valuation work of the forensic accountant is well-done or not. Other judges simply don’t care”. One interviewee said: “Either the judge trusts blindly the forensic accountant or, on the contrary, gets into it”. Another expert remarked: “The average CTP/CTU has to follow the judge. If the judge is sensitive to the use of the PIV, the CTP will use them; if the judge is unaware of the existence of the PIV, the CTP/CTU may not even bother using them”. Another interviewee too supported this view: “I realize that judges – because they are overwhelmed by work – rely a lot on CTUs and entrust them with the valuation: judges blindly trust CTUs. Except for few individual cases, the judge is unable to appreciate the difference between a valuation compliant with the PIV and a valuation which is noncompliant with the PIV.” Similarly, another expert commented: “The judge cares, but usually does not understand much about Italian valuation standards. The judge simply nominates a CTU and entirely relies on the CTU”. By contrast, another expert stated: “Judges (both in civil and criminal courts) do not care at all, they trust the CTU”. Similarly, another forensic accountant commented: “. . . the judge relies on the CTU: on average, judges are not very familiar with numbers in the context of Italian valuation standards. Judges blindly trust CTUs, they go and check valuation works only in the event one of the CTPs blatantly contests the work of the CTU”. An expert expressed this view: “In reality, though, few judges care about valuation being in line with Italian valuation standards. However, in ‘big’ trials [i.e., ‘big valuations’], Italian valuation standards are brought to the attention of the judge.”

Italian Valuation Standards are Relevant for Judges

For most of the interviewees, it was seen as a common understanding that judges specialize in law, not in valuation. Nevertheless, one interviewee commented: “. . . average judges are more prepared nowadays than in the past and want to dig into the topic of valuation”. Another expert commented: “. . . the judge is happier if reference is made to guidelines. I don’t know whether forensic accountants realize”. Another interviewee: “Judges are required to judge on a matter, valuation, at which (usually) they do not understand in full: the judge has to verify, that the expert does not make an arbitrary valuation”. Similarly, another forensic accountant: “As most judges have limited understanding concerning valuation, it would be fundamental for them, at least to check for compliance with Italian valuation standards”. An expert also pointed out: “Judges in general should be informed by somebody, of the existence of the PIV and of the fact that the PIV can enhance quality of valuation”.

One of the interviewees commented: “The judge simply verifies that the CTU is enrolled in the list of experts authorized by the tribunal.” Apparently, “a roll/list of CTPs does not even exist in Italian tribunals” (although there is one for CTUs). Another interviewee commented: “Adoption of the PIV is currently not a discriminant: courts do not verify that a valuation work performed by a forensic accountant is compliant with the PIV”.

Italian Valuation Standards Might be Used by Far Less Than 50 Percent of Forensic Accountants

The rough perception of the forensic accountants, about the use of Italian valuation standards by their colleagues, is that the use of Italian valuation standards is not prevalent in the community, at least in Milan. Actually, most of the interviewees declared that they have used the PIV in less than 50 percent of their valuation works for the Court of Milan, in the last five years (only a couple of experts firmly stated that they have used the PIV in 100 percent of their assessments). When asked to estimate, what percentage of colleagues do not use Italian valuation standards, the interviewees generally answered that their guess is that less than 50 percent of forensic accountants might use Italian valuation standards. It can’t be overlooked, that this qualitative inquiry produced significantly variable replies: most of the forensic accountants guessed that over 50 percent of colleagues do not use the PIV, with just one interviewee stating that adoption is at around 90 percent and, on the contrary, just one interviewee asserting that just 10 percent of colleagues use the PIV. The vast majority replied that most of forensic accountants are not using Italian valuation standards. An expert stated: “At least 50 percent of forensic accountants do not use the PIV.” Similarly, another expert: “In 2021, more than 50 percent of CTP/CTUs are not using the PIV”. Also another interviewee commented: “More than 50 percent do

not use Italian valuation standards”. Another forensic accountant declared: “The appraiser should be interested in using the PIV, for self-protection. However, I estimate that about 50 percent of forensic accountants do not use the PIV.” Similarly, another interviewee: “At least 50 percent of forensic accountants do not use the PIV. The PIV are not yet an important reference point, as should be”. For an interviewee: “Hard to say. It could be a high percentage. ... Maybe more than 50 percent do not use the PIV”. Another expert noted: “You have to distinguish into ‘big’ and ‘small’ valuations, i.e., valuations of assets/companies with revenues higher or lower than twenty million euros. Small enterprises do not even prepare plans. So, valuation standards, which necessarily require a plan, are thought for ‘big’ valuations. I believe that less than five percent of valuations are based on valuation standards.” One of the interviewees noted: “10 percent of CTP/CTUs use Italian valuation standards, 90 percent do not”. For some of the interviewees, instead, the PIV are widespread in Milan court. Counter-intuitively, one of the interviewees remarked: “Very few do not use valuation standards”. Another expert echoed this opinion: “I guess that 10 percent do not use Italian valuation Standards at all, while 30 percent moderately use them and 60 percent abundantly uses them as an essential starting point for their work”.

V. Discussion

To the best of our knowledge, the literature has not dealt with the adoption and diffusion of Italian valuation standards, either in general, or in the setting of forensic accounting. This has spurred our research question. Through the present qualitative study we give voice to some forensic accountants on this topic.

Based on the replies of the interviewees, we could not spot substantial differences in the position of the members of the two groups (forensic accountants with links to *Accademia* vs. forensic accountants without links to *Accademia*). With the literature on standardization and the PIV in mind, many of our findings are confirmatory, while others are totally or partially divergent from previous knowledge.

Regarding motivations, enthusiasm around the adoption of Italian valuation standards is associated to the fact that the PIV bring a “culture” of valuation, a holistic approach that involves a new mindset: robustness of valuation, which was perceived as a plus by interviewees. This is the intended consequence of the fact that Italian valuation Standards offer indications on the way to proceed in performing valuation judgement (Marcello and Lucido, 2016). The PIV are perceived as a standardizing force, which also generates independence, which is an intended effect of the issuance of the PIV, as per chapter 1.3.1 (PIV, 2015). Also the perception, that Italian valuation standards reduce subjectivity, is not surprising: this is the element at the heart of the introduction of all types of standards. For Italian valuation standards, mimetic isomorphism seems to play a very limited role, but is apparently there: even if most of forensic accountants seem to adopt the PIV spontaneously and not merely copying other people’s choices, there seem to be some professionals (could be especially among the younger and the older), that adopt the PIV because of imitational effect. In fact, several interviewees pointed out that they perceive adoption of the PIV is sincere, convinced and not caused by the replication of the behavior of other forensic accountants.

For those forensic accountants who work with judges who require that valuation is performed in compliance with the PIV—apparently a minority—the fact that adoption of the PIV is the sole way to appease the stakeholder i.e., the judge, seems to be in line with literature on coercive isomorphism. This can be coupled with the remark by some forensic accountants, that the PIV adoption prevents censorship. Also the fact that professional associations endorse the PIV is in line with literature of normative isomorphism. It looks like associations have put efforts in the diffusion of Italian valuation standards; most of interviewees, however, still see room for improvement in the efforts by professional associations to spread Italian valuation standards.

Regarding benefits, coherently with literature on standards adoption (Del Rio Rama and Alvarez-Garcia, 2016), forensic accountants adopt Italian valuation standards because the PIV enhance their performances and bring improvements in quality of their product/service (the “product” is the valuation, the “service” is the illustration of a valuation to the other party’s expert and/or to the judge). Enhancement of quality, which is a perceived reason for adoption of the PIV by forensic accountants, is exactly one of the intended goals of the PIV, according to the foreword number III to the PIV (PIV, 2015).

Concerning barriers, the scarcity of resources, that is the high cost of implementation and maintenance (as for other types of standards, see Del Rio Rama and Alvarez-Garcia, 2016), is a barrier to the adoption and diffusion of valuation standards; in particular, having the time to study is not that simple, for forensic accountants. Actually, a barrier to the adoption and diffusion of the PIV among forensic accountants could be the significant investment of resources (most notably, time) in the thorough study and deployment of Italian valuation standards. This is fully in line with literature on adoption and diffusion of other types of standards. The PIV are a 375-page book. However, there exist sort of condensed operating guidelines on the PIV, that apparently have been developed by local associations of chartered

accountants, not by the OIV, which are around 100 pages (Ridi et al., 2016). The fact that the PIV are principle-oriented and not rule-oriented seems to be a further barrier to adoption of the PIV. However, we believe that their being principle-oriented is an unavoidable consequence of the fact that any valuation implies a certain degree of subjectivity, which is inevitable. The importance of Italian valuation standards lies in that, they permit to a third party, to verify if the valuation process is rational and fair, allowing for some discretion. To us, standards are a way to reduce discretion, but not to eliminate it. When it comes to the PIV and standardization, a certain degree of discretion seems to be unavoidable.

Interestingly, we came across certain unexpected elements, when analyzing the perceptions of the interviewees regarding the adoption and diffusion of Italian valuation standards: this could be a starting point for quantitative research (and even further qualitative research) in the field. It came substantially unexpected, that, according to our limited sample of 12 interviewees, less than 50 percent of forensic accountants may use the PIV. As a matter of fact, numerous of the interviewees acknowledged not to have used Italian valuation standards, for certain appraisals they drew up for the court, in the last five years. At the beginning of our study, we estimated that the percentage of users was much higher and we are still confident that possible quantitative surveys will demonstrate that the PIV are much more widespread than it appears from our qualitative, limited observation.

It was also unexpected that the PIV are used mostly as a reference, not as a full pervasive gold standard. Surprisingly, literature still plays a major role in valuation, at least for the interviewees. Some of the experts highlighted they are still waiting for the PIV's maturity and that they always filter the PIV instructions in light of the specific context. From our interviews, we feel that some forensic accountants value more the PIV than literature, some value more literature than the PIV, some value the PIV and literature equally. We believe it would be interesting to further listen to the opinions of forensic accountants on the relationship between the PIV and the best practices (namely, literature). In particular, future research could explore whether diffusion of Italian valuation standards encounter a barrier, in the fact that the PIV are perceived by some forensic accountants as a mere codification of previous high-end best-practices, so that one can do without the PIV, by simply replacing use of Italian valuation standards with recourse to literature.

We could not anticipate from literature the distinction in between “large” and “small” valuations, that emerged from our field work. Apparently, some interviewees associated the appropriateness of employing Italian valuation standards to the magnitude (in terms of value) of the object of the valuation: here, it seems that forensic accountants are more prone to use Italian valuation standards for valuations of “large” assets/companies (large in terms of monetary value), whereas “small” valuations would not justify the use of the PIV, because of the necessary investment of resources required for the correct deployment of the PIV in the valuation work. There could be a relation between the fees received by professionals for large valuations and the ones that they receive for small valuations on the one hand and the use of Italian valuation standards on the other hand: some of the forensic accountants may deviate from the use of the PIV for minor valuations, because it would not pay off to use Italian valuation standards, in terms of return on the investment; to them, they would need more time and resources than what they are given, to make sure that the valuation of a small asset/company is performed in compliance with the PIV. On top of that, some interviewees remarked that “minimum fees” may not be in line with European Competition law. Clearly, in case such preliminary results are corroborated by future research, the OIV should consider issuing a condensed version for valuation of smaller assets/companies.

Based on the comments made by the interviewees, a plausible explanation for the PIV not being so frequently utilized in court is that judges usually only check that their forensic accountant of choice is enrolled in the registry of CTUs. Differently from other jurisdictions, in Italy the CTU is independently chosen by the judge, while CTPs are chosen by the parties. At the moment, there is no requirement for the court (at least in Milan) to verify that the expert has used the PIV for the valuation work. Naturally, this practice looks totally in line with the fact that the PIV are not the law. Another plausible explanation for scarce diffusion of the PIV in courts could be that many judges are not sufficiently informed of the existence of the PIV and of the benefits they bring in terms of quality of valuation and standardization. We believe, from what we have spotted in the discourses of the interviewees, that average judges appreciate the use of standards, but are not informed enough on the PIV, to firmly demand that the forensic accountants produce valuation works compliant with the PIV. To the best of our knowledge, literature has not yet dealt with agency theory and signaling theory, in the context of the relationship between judges and forensic accountants (in particular), around valuation (specifically). Our preliminary findings strongly support the idea that the relationship between the forensic accountant and the judge can be seen in light of agency theory and signaling theory, because the judge freely selects the forensic accountant, in Italy. From our interviews, we understand that the agency relationship between the judge and the forensic accountant exists. Depending on personal attitudes, it may unfold in two ways: apparently, there are judges who totally trust and delegate to the forensic accountant, whereas there are judges who closely monitor the forensic accountant. In Italy, courts are in fact specialized in sub-sections: there is a sub-section for civil litigation, one for criminal litigation, one for commercial litigation, one for bankruptcy, and so on and so forth. To our understanding, the point is that valuation is in the domain all of these sub-sections, but—according to our limited panel of

interviewees—in all of these sub-sections apparently you may find judges that know about the existence of the PIV as well as judges that are not informed on the matter. Based on the sentiment of the interviewees, few are the judges who are aware of the existence of the PIV and care about the fact that forensic accountants use the PIV. Even fewer, seem to be the judges who can recognize a valuation that is actually PIV compliant from one that is merely declared to be PIV compliant.

Under agency theory, we believe that the PIV are adopted by forensic accountants to honor the trust, placed in them by the judge. If agency theory applies, it is fundamental that forensic accountants signal the quality of their valuation to the judge, in the interest of an efficient and fair trial; it is also of paramount importance, that the judges are equipped with the right tools, to pick up on this signal: we believe that a brief, user-friendly guide on the PIV, specifically designed for magistrates, could be of help, for judges to familiarize with Italian valuation standards. Such brief leaflet could be focused on the first part (“Conceptual Framework”) and on the second part (“Work of the expert”) of the PIV; we feel that the third part (“Principles for specific assets”) and the fourth one (“Particular situations”), due to their high level of technicality, would not be of immediate interest to judges and may not serve to complement such user-friendly leaflet. Issuing a brief leaflet for magistrates could be a way to build-up on the trust relationship (agency theory) between the forensic accountant and the judge, by providing an efficient communication system (signaling theory) to bridge the informational gap between the forensic accountant and the judge. Another interesting perspective on the PIV diffusion and agency theory is that judges could use the PIV precisely to check that forensic accountants pursue the interest of Justice and not the self-interest of the party they represent or their own self-interest: this, because the PIV allow for independence and neutrality.

In the present work, we explore the adoption and diffusion of Italian valuation standards among forensic accountants, under a “prism” of multiple theories (annex 2), that is not only under mainstream isomorphism, but also under agency and signaling theory: we have the impression that isomorphism indeed plays an important role, but may not be sufficient, in interpreting the phenomenon that we are examining, especially in a context in which the judge freely choses the forensic accountant. In case future research confirms that adoption and diffusion of Italian valuation standards is scant, it could actually be useful to explore such “new” theoretical pathways, that we introduce in this work. While coercive isomorphism posits that forensic accountants adopt Italian valuation standards to appease judges, it seems to structurally overlook that some judges may not be aware of the existence of Italian valuation standards and/or that some forensic accountants may have incentives not to adopt Italian valuation standards. In Italy, there is liberty of adoption of Italian valuation standards and the judge can also deviate from the results stemming from the application of these standards (by providing a written logical motivation): nevertheless, we believe that also judges shall be informed that an instrument exists (Italian valuation standards), that, if adopted, can help standardize decisions on valuation matters. We believe that, once informed on Italian valuation standards, judges may freely demand (or not) forensic accountants to adopt Italian valuation standards and that forensic accountants would use Italian valuation standards to signal quality of valuation: we guess that, if the OIV pushed not only on education on the side of forensic accountants (under isomorphism perspective) but also with some initiatives on the side of judges (with agency and signaling theory in mind), OIV may further bolster the diffusion of the PIV. To this end, it could be appropriate for OIV, to consider issuing a sort of user-friendly leaflet on the PIV for magistrates (the non-experts, for the sake of this work), perhaps ideally complemented with a brief checklist for the verifying that the PIV are actually used by forensic accountants (the experts).

Another unexpected factor that may push in one sense or in another, for the adoption of Italian valuation standards, is that jurisprudence is absent, on the actual role of the PIV. For some interviewees, when it comes to diffusion, much will depend on whether future judiciary rulings will deem it necessary that valuations are performed in compliance with the PIV. Unexpectedly, most of forensic accountants acknowledge that the PIV are not the law, that is that they are not legally binding: we expected that those who stressed the sort of authoritative power of the PIV would be the majority. In fact, they were a minority.

Finally, as closing remark, we noted that practically all the interviewees stressed their interest in the subject: besides courtesy, we noticed a significant attention to the topic, which was considered by many of the interviewees as a neglected subject, although one of interest.

VI. Limitations

The present work is exploratory, so qualitative in nature: its goal is to “break the ice” in an unexplored field and open the road for future research. The sample of forensic accountants we interviewed (12 professionals) is very limited. According to CNDCEC website (CNDCEC, 2021), in Italy there are around 120.000 chartered accountants. Statistics on the number of forensic accountants (the sub-set of chartered accountants who work also as consultants to the judge or to the parties) seems to be not immediately available to the public. Therefore, it is hard to estimate the weight of our sample of 12 interviewees out of the sub-population of forensic accountants. Hence, quantitative inference on the general

population of forensic accountants in Italy, which is even out of the scope of the present qualitative research, would be hard. Evidently, also transposition of our findings would be complex, especially because in Italy valuation standards adoption is voluntary (non-mandatory) and there appears to be no strict monitoring or enforcement of Italian valuation standards use.

In fact, the goal of this research is to give voice to Italian forensic accountants on their experience with valuation standards, in order to pave the way for further qualitative and quantitative research in the neglected field of adoption and diffusion of Italian valuation standards among forensic accountants, in Italy. We hope that this will be helpful to relevant stakeholders, especially the standards setter and the professional associations, to better understand (and govern) the phenomenon in the public interest. Also, we hope that our work can be of help to other scholars, in order to give voice to forensic accountants in other Countries and investigate diffusion of valuation standards, particularly in those jurisdictions where adoption is non-mandatory. We also wish to stimulate research on the extent to which Italian valuation standards can contribute to a fair trial, in the opinion of judges, forensic accountants, managers and other players in courts.

VII. Conclusions

The interviews have shown that the vast majority of forensic accountants praise the great work of the Italian standard setter OIV in introducing Italian valuation standards, as well as the paramount importance of Italian valuation standards, in particular in terms of the quality of valuation. However, the experts in the limited panel that we interviewed in our qualitative research, estimated that less than 50 percent of forensic accountants are using Italian valuation standards, in court. Consistently with literature on adoption and diffusion of other types of standards, the three classical forms of isomorphism (normative, coercive and mimetic) seem to be the leading factors that motivate professionals, to adopt Italian valuation standards. Unexpectedly (at least when looking at the literature), it is plausible that also agency theory and signaling theory play a role in the diffusion of Italian valuation standards. The practical application of these theories may help stakeholders further spread Italian valuation standards. Our hope is that the identification of the main fostering and inhibiting factors of adoption and diffusion of Italian valuation standards can be of help for future action by Regulators/quasi-Regulators (such as the OIV), associations of chartered accountants/forensic accountants and judges. Waiting for future research, we recommend the OIV, to start evaluating the opportunity to issue a condensed, user-friendly guide/leaflet on the PIV as well as an operational checklist, to illustrate the PIV to magistrates, enabling them to appreciate the level of quality of the valuation performed by the forensic accountant. Based on initial evidence, another preliminary recommendation is to consider whether it could be helpful, to issue specific guidelines with a minimum set of requirements for “small valuations”, similarly to what certain accounting standard setters have done for Small and Medium Enterprises (SMEs): as “small” companies require specific accounting standards, we guess that specific Italian valuation standards may be appropriate also for valuations of “small” companies or assets. Last, but not least, we would like to encourage associations of professionals, to further contribute to the spread of Italian valuation standards, for instance by enhancing continuous-education initiatives for chartered accountants. Finally, we recommend that stakeholders closely monitor any further research that may corroborate or refute our preliminary findings.

The authors declare no conflicts of interest. The views of the interviewees do not necessarily reflect the views of the authors nor those of IUM. The views of the authors do not necessarily reflect the views of IUM. Any assumption and any recommendation provided herein shall be considered as preliminary and shall be reviewed with caution and in light of future research.

References

- AICPA FVS (2011). Retrieved from <https://docplayer.net/8703002-The-2011-forensic-and-valuation-services-fvs-trend-survey.html>.
- Austin A.A., Carpenter T.D., Christ M.H., Nielson C.S., (2021). The data analytics journey: interactions among auditors, managers, regulations and technology. *Contemporary Accounting Research*, 38(3), pp.1888–1924.
- Basit T. (2003). Manual or electronic? The role of coding in qualitative data analysis. *Educational Research*, pp. 143–154.
- Bini M. (2019). Come un ‘non-esperto’ può giudicare la qualità di una valutazione. *Le Società*, n. 3, pp. 357–365.
- Bhimani A., Silvola H., Sivalaban P. (2016). Voluntary Corporate Social Responsibility Reporting: A Study of Early and Late Reporter Motivations and Outcomes. *Journal of Management and Accounting Research*, Vol. 28, N. 2, pp. 77–101.
- Bosse D. A., Phillips R. A. (2016). Agency Theory and Bounded Self-Interest. *Academy of Management Review*, Vol. 41, No. 2, pp. 276–297.
- Brunsson N., Jacobsson B. (2002). A World of Standards. Reviewed by Puffert D., *Journal of Economic Literature*. Jun2005, Vol. 43 Issue 2, p517–518.
- Cambridge Dictionary (2021). Meaning of adoption. <https://dictionary.cambridge.org/it/dizionario/learner-inglese/adopt>.
- Chandon J. L., Arnaud S. (2009). Gestion des ressources humaines conforme à la philosophie humaniste et motivations au travail: exposè theorique et resultats empiriques. *Revue de gestion des ressources humaines*, ESKA, pp. 58–73.
- CNDCEC (2021). Retrieved from <https://www.fondazioneNazionaleCommercialisti.it/node/1581#:~:text=A1%2019%2C%20gennaio%202021,sono%20i%2017%2C%20>
- Connelly B., Certo T. S., Ireland D. R., Reutzel C. R. (2011). Signaling Theory: A Review and Assessment. *Journal of Management*, Vol. 37, N.1, 2011, pp. 39–67.
- Corbett C. J., Muthulingam S. (2007). Adoption of Voluntary Environmental Standards: The Role of Signaling and Intrinsic Benefits in the Diffusion of the LEED Green Building Standards. *SSRN Electronic Journal*, pp.1–33.
- Corte di Cassazione [Italian Supreme Court] (2011). *Sentenza 5148/2011*, Pres. Vitrone.
- Crain M. A., Young G. R., Hopwood W. S., Gendler R. S., Pacini C. (2009). *Essentials of Forensic Accounting*, 2nd edition, Wiley, 2019, pag. 1 – Previous edition of the book was reviewed by Singleton T. W., in “Issues in Accounting Education”, August 2009, edited by the American Accounting Association.
- Crumbley D. L., Smith G. S. (2007). A Broad Approach to Forensic Accounting is needed. *The Value Examiner* (Review of the National Association of Certified Valuators and Analysts), March-April 2007, pp.13–19.
- Dearing J., Meyer G., (2006). Revisiting diffusion theory. *Communication of Innovations*, Sage, 2006, pp.29–60.
- Di Gabriele J., Huber D. W. (2015). Topics and Methods in Forensic Accounting Research. *Accounting Research Journal*, Vol. 28, No.1, pp.98–114.
- Del Rio Rama M. d.l. C., Alvarez-Garcia J. (2016). Sustainability and EMAS: Impact of Motivations and Barriers on the Perceived Benefits from the Adoption of Standards. *Sustainability*, pp.1–18.
- European Committee for Standardization (2022). Retrieved from <https://www.cen.eu/work/ENdev/whatisEN/Pages/default.aspx>.
- Garavan T., Murphy A. (2009). The Adoption and Diffusion of an NHRD Standard: A Conceptual Framework. *Human Resource Development Review*, Vol. 8 pp. 1–19.
- Gonnella E., Talarico L. (2018). Regulation in Business Valuation: The Case of the International Valuation Standards Council. *Research Journal of Finance and Accounting*, Vol.9. N. 16, pp. 102–115.
- Guest G., Bunce A., Johnson L. (2006). How Many Interviews Are Enough? An Experiment with Data Saturation and Variability. *Field Methods*, SAGE, pp. 59–82.
- IVSC, *International Valuation Standards Committee* (2022). Retrieved from <http://www.ivsc.org/about>.

- Kim P. T. (2011). Beyond Principal-Agent Theories: Law and the Judicial Hierarchy. *Washington University in St. Louis Law Review*, 105, pp. 535–575.
- Kuchinke P. K. (2000). Debates over the nature of HRD: an institutional theory perspective. *Human Resource Development International*, Vol. 3, pp 279–283.
- Ladaique M. (2007). Measuring Well Being: what role for Social Indicators?. Retrieved from <https://ec.europa.eu/eurostat/documents/1001617/4577263/2-3-LADAIQUE-MERGED.pdf>.
- Mackenzie A. (2015). Why International Valuation Standards Matter to SMEs Now More Than Ever Before. Retrieved from the International Federation of Accounting (IFAC) website, <https://www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/discussion/why-international-valuations-standards-matter-smes-now-more-ever>.
- Marcello R., Lucido N. (2016). Il Processo di Valutazione dopo l’emanazione dei Principi di Valutazione (PIV). *Società e Contratti, Bilancio e Revisione*, Vol. 7, N. 8, pp. 102–112.
- Milan Court (2021). CTUs list. Retrieved from https://www.tribunale.milano.it/index.phtml?Id_VMenu=480.
- Nash J. R., Pardo R. I. (2013). Rethinking the Principal-Agent Theory of Judging. *Iowa Law Review*, pp. 331–362.
- Nikolaeva R., Bicho M. (2011). The role of institutional and reputational factors in the voluntary adoption of corporate social responsibility reporting standards. *Journal of the Academic Marketing Sciences*, N. 39, 2011, pp. 136–157.
- PIV (2015). Principi Italiani di Valutazione 2015. *OIV, Ed. EGEA*.
- ODCEC Milano (2021). Retrieved from <https://www.odcec.mi.it/1%27ordine/ctu---consulenti-tecnici-di-ufficio/iscrizione-albo-ctu>.
- Rechtman Y. M. (2020). The past, Present and Future of Forensic Accounting. *The CPA Journal*, 90th Anniversary volume, 2020, pp. 10-12 ; the article quotes an interesting sentence apparently attributable to Sophocles “*Rather fail with honor, than succeed by fraud*”.
- Ribeiro G. S. A. (2013). No need to toss a coin: conflicting scientific expert testimonies and intellectual due process. *Law, Probability and Risk*, Vol. 12, 2013, pp. 299–432. Ribeiro draws inspiration from the work of Brewer on scientific expert testimony.
- Ridi T. et al. (2016). “Guida Operativa ai Principi Italiani di Valutazione”, *Centro Studi della Fondazione dei Dottori Commercialisti e degli Esperti Contabili di Firenze*.
- Scott W. R. (2010). Reflections: The Past and Future of Research on Institutions and Institutional Change. *Journal of Change Management*, 10:1, pp. 5–21.
- Sole 24 Ore (2017). “La mappa dei redditi nelle città. Retrieved from <https://lab24.ilsole24ore.com/mappaRedditi/redditiTabelle.html>.
- Timmermans S., Epstein S. (2010). A World of Standards but not a Standard World Toward a Sociology of Standards and Standardization. *Ann. Rev. Sociol.*, N. 36, pp. 69–89.
- Tong A., Sinsbury P., Craig J. (2007). Consolidated criteria for reporting qualitative research (COREQ): a 32-item checklist for interviews and focus groups. *International Journal for Quality in Health*, pp. 349–357.
- Tracy S., (2010). Qualitative Quality: Eight Big-Tent Criteria for Excellent Qualitative Research. *Qualitative Inquiry*, Vol. 16, pp. 837–851.
- Tracy S.,(2020). *Qualitative Research Methods*. Wiley Blackwell, pp. 209–264.

Annex 1: Interview Guideline (Translated from Italian)

Thanks for joining. Welcome to this interview on “Adoption and diffusion of valuation standards among forensic accountants.” It will take about 30 minutes of your time. This interview will be recorded (if you approve) and transcripts reproduced. Access to the transcripts will be limited to myself and a few colleagues at IUM, on a need-to-know basis. The results, if published, will be anonymized. You can stop the interview at any time. Any variations to these terms will take place only with your explicit approval.

Do you have any questions before we start?

Do you give consent to be interviewed?

Name: _____

Surname: _____

Age: _____

Nationality: _____

1. I would like to get started by asking you: how many years ago, did you first perform your valuation work for a court (e.g., as a CTP or CTU)?
2. Do you think anything has changed since then in the way forensic accountants perform valuation?
3. For which court do you produce most of your valuation works?
4. In the last five years, how many valuation works you submitted to a Court as a forensic accountant (e.g., as a CTP or CTU)?
5. For how many of such works did you use valuation standards?
6. Do you think the introduction of valuation standards was positive or negative for your work as a forensic accountant?
7. What pushes you to use or prevents you from using valuation standards in doing forensic accounting works?
8. Regarding your forensic accountant colleagues, what do you think pushes them to use/prevents them from using valuation standards?
9. Could you share your thoughts on the fact that valuation standards are not adopted by means of a law, that is, their use is not compulsory?
10. Do you believe professional associations play any role in the adoption of valuation standards?
11. To what extent do you believe forensic accountants adopt valuation standards to mimic the customary practice of colleagues?
12. Do you think for judges is relevant that the forensic accounting work is performed in compliance with valuation standards?
13. Now, before we stop, let me ask you: what percentage of your colleagues do you estimate submit works to court NOT based on valuation standards?
14. Ok. Is there anything that I forgot to ask you or that you would like to add?

Thank you very much for your time today. In the next few months, you may get some feed-back about this research on “Adoption and diffusion of valuation standards among forensic accountants.”

Annex 2: Exploratory, Theoretical framework

Main theories	Exploratory framework
Coercive isomorphism	forensic accountants adopt valuation standards to appease the judge
Normative isomorphism	forensic accountants adopt valuation standards because of pressure by associations
Mimetic isomorphism	forensic accountants adopt valuation standards to imitate colleagues
Theoretical corollaries	Exploratory framework
Agency Theory	forensic accountants adopt valuation standards because judges monitor them
Signaling Theory	forensic accountants adopt valuation standards to signal to judges quality of valuation