

## How Well Do You Know Your Tools?

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Craftsmen have been working with tools ever since someone picked up a rock and realized it gave a considerable mechanical advantage when applied, instead of simply using one's hand. Tools have a very important purpose, and that is to allow one to accomplish a task, usually with much increased efficiency over attempting to complete that same task without the appropriate tools.



Years ago, I was talking with my brother-in-law, who is a highly accomplished plumber, about his tools. I don't know how familiar any of you might be with Channellock pliers, but he was very familiar with them; to the point that he could tell me all about each individual tool simply by my mentioning the model number engraved on the side. Up until that point, I had no idea there were any differences apart from the overall length of the handles. I have often thought on that conversation, and about how my brother-in-law was really a master of his craft. It was apparent to me that he had mastered his craft, not because he had learned details about his tools, but it was because he had learned about the details of his tools that he was a master.

Think about that for a minute. Would you rather hire a plumber who knows exactly what tool works best on whichever fitting is being worked on, or a plumber that simply grabs a wrench at random and starts applying torsion? Now think about our business appraisal reports, and the tools that we use to bring those to life and to deliver them to our clients.

Most of us are using some form of software installed on a computer, however I did run into an older appraiser some years ago who was still doing all his math by hand and his schedules were written out on green bar paper. That gentleman knew his tools, knew what he was comfortable with, and as far as I know is still performing competent valuation work to this day.

I remember reviewing a particular valuation report that had been submitted to a CPA firm as part of the audit of a Company's financial statements many years ago. I remember this report, because that appraiser had been updating this entity's valuation report for several years, and I had reviewed it each of those years with no problem, except for this one year. Suddenly, and with no explanation in the narrative of the report, the capitalization rate's individual components had been calculated very differently. When I called that appraiser to ask about these differences, and why the risk rates were so different, the appraiser gave me a response that, at the time I thought nothing of, but over the years has come back to haunt me when I consider its overall ramifications.

The appraiser's response as to why the risk rate was so drastically different, was that the software the appraiser used to write the appraisal report required an update, and that required update hadn't been noticed by the appraiser nor applied until after I had asked my questions. The appraiser had to reissue the report and explain to their client about what had happened, because the conclusion of value changed significantly. Those ramifications were annoying enough for the appraiser, I am sure, but what really haunts me is the implication that the appraiser apparently was not that knowledgeable about the main tool utilized in their appraisal practice. That appraiser relied on a software tool that requires regular updates yet issued at least one report that I am aware of without applying that particular update.



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I work with a variety of different appraisers, across a variety of different skill levels, but one thing I hear the most often from many of these folks, is the wish that they knew better how to operate a computer or a spreadsheet, or their valuation software, but they just don't have the time to take to learn.

In those same discussions with my brother-in-law, I mentioned above, I asked about other plumbers he has worked with and their comparative knowledge about their tools. He told me that a few plumbers have learned those details, but most never do, yet still get the job done. I think that also may apply to business appraisers. Many appraisers are doing the work, and doing it competently, but they just never take the time to rise to that level of mastery that others do.

I'd like to encourage my readers to take some extra time, maybe 5 minutes a day, to investigate their tools of the trade; read some database FAQs, learn how to use a single feature built into the software you use, add a new Excel Function to your repertoire, or investigate the use of a rarely used methodology. It's amazing what a difference just a little extra time each day can make.



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