

Can the ‘Clan Effect’ Reduce the Gender Sensitivity to Fraud? The Case of the IPO Environment

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Generally, women accountants are socialized to be more ethically sensitive to fraud. Yet, research shows that the gender advantage may be mitigated by different socializations, environmental or organizational constraints. We study one such socialization, a “clan affect” where accountants are known to be conditioned and then socialized to the pressures of earnings management such as situations when preparing for an initial public stock offering (IPO). We investigate this possibility with eight ethically challenging dilemmas (including those of earnings management) that are shown to thirty-nine actively engaged IPO accountants who are not averse to unethical choices.

We find that female IPO accountants, like males, are not averse to choosing questionable actions. Hence the gender effect is somewhat mitigated, but is still present in some of the eight dilemmas. We find female IPO accountants more sensitive toward and less likely than men to choose earnings management actions, even in the presence of other cognitive (DIT) and ethical orientation (MES) measures. Yet, the correlation of gender and ethical orientation for certain questionable actions is consistent with the theory that gender can be mitigated. Although this is a rare, small sample study of twenty-two women and seventeen men of similar ages and experiences, the gender association with ethical orientation can be used to suggest preliminary evidence that a larger study on socialization and the effects of the “clan” may provide evidence of a diminished gender advantage in identifying fraud. This is consistent with anecdotal evidence, such as from Barbara Toffler, Arthur Andersen’s female partner in charge of its ethics consulting practice, who claims her practice began as a nunnery and ended as a brothel because of revenue demands.

INTRODUCTION

Auditing standards now require auditors to increase their ethical sensitivity to fraud (AICPA, SAS No. 99, 2001). Generally, women are socialized to be more ethically sensitive than men (Bass, Barnett, and Brown, 1998) and hence we would expect them to be bet-