

## Gender Differences in Auditors' Judgments: Evidence from Indonesia

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### ABSTRACT

Gender socialisation theory has been widely recognised for suggesting that gender identity is established through the socialisation process during childhood. Since a person's gender identity is stable and unchanging over time, the theory predicts that males and females will bring different ethical values to the workplace, thereby resulting in differences in their ethical decision making. This study explored differences in auditors' judgments between male and female auditors working at public accounting firms in Indonesia. The independent-samples t-test performed to test the research hypothesis found no significant differences between both groups. This study failed to find support for the prediction of gender socialisation theory, as the finding indicated that both male and female auditors made similar types of judgments.

Keywords: auditor judgment, gender, auditor

### 1. INTRODUCTION

The increasing participation of women in the workforce, especially of women in the accounting and auditing workforce, has generated research interest in numerous ethical issues in the behavioural accounting field. One such issue has been whether male and female auditors differ in their audit judgments. Gender socialisation theory has been widely recognised for suggesting that "gender identity is established through the socialisation process during childhood" (Shawver & Clements, 2015, p.558). According to this theory, during the socialisation process, children are socialised into their gender roles and taught what it means to be male or female (Crespi, 2003). For example, in the traditional gender roles, males are expected to be "adventurous, assertive, aggressive, independent and task-oriented, whereas females are seen as more sensitive, gentle, dependent, emotional and people-oriented" (Crespi, 2003, p.5). Since a person's gender identity is stable and unchanging over time, socialisation theory predicts that males and females will bring different ethical values to the workplace, thereby resulting in differences in their ethical decision making.

Attempts to validate the prediction of gender socialisation theory in the behavioural accounting field have produced mixed results. Some researchers have seen no differences in audit judgments between male and female auditors (e.g., Jamilah, Fanani & Chandrarin, 2007; Hajiha, Godarzi & Fatahi, 2012; Yustrianthe, 2012). The lack of differences in judgments between male and female auditors has often been attributed primarily to the fact that both male and female auditors are required to be professional in performing their duties (e.g., Yustrianthe, 2012). Nevertheless, other researchers have found empirical evidence of significant gender differences in decision-

making processes, thus validating the prediction of gender socialisation theory (e.g., Chung & Monroe, 2001; Khalkhali, Jamali, & Soltani, 2014; Bobek, Hageman & Redtke, 2015).

Based on the prediction of gender socialisation theory that men and women differ in how they solve moral dilemmas, together with the findings of previous studies that support the theory, the present study attempts to find empirical evidence of gender differences in auditors' judgments. This paper is divided into five sections. After this introduction, the Theoretical Framework and Hypothesis Development section reviews and discusses gender socialisation theory and gender differences in decision-making processes. A research hypothesis is then developed based on the theory and the results of previous studies on gender differences in auditors' judgments. The third section explains the research method. The results and discussion are presented in the fourth section. The last section concludes and discusses the implications and limitations of the current study and directions for future research.

## **2. THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT**

### **2.1. Socialisation Theory and Gender Differences in Decision-Making Processes**

Gender socialisation theory holds that “gender identity is established through the socialisation process during childhood” (Shawver & Clements, 2015, p.558). During this process, children are socialised into their gender roles and taught what it means to be male or female (Crespi, 2003). In the traditional gender roles, for example, males are expected to be “adventurous, assertive, aggressive, independent and task-oriented, whereas females are seen as more sensitive, gentle, dependent, emotional and people-oriented” (Crespi, 2003, p.5). One of the most well-known examples of gender socialisation is the experiment in which a baby was introduced as a male to half of the research participants and as a female to the other half:

The results are interesting and quite disturbing at the same time. When the participants thought they were playing with a baby boy, "he" was offered toys, such as a hammer or rattle, while if the participants thought they were playing with a baby girl, "she" was offered a doll. The participants also touched the baby differently. It was found that baby boys are often bounced, thus stimulating the whole body, whereas girls are touched more gently and less vigorously (Gleitman, Friedlund & Reisberg, 2000, as cited in Crespi, 2003, p.4).

Gender identity, according to Dawson (1995, p.61), “becomes established as early as age three through the mother-child relationship and is thereafter irreversible and unchanging”. Since a person's gender identity is stable and unchanging over time, socialisation theory predicts that males and females will bring different ethical values to the workplace, resulting in differences in their ethical decision making.

One model that is often used to describe the process of ethical decision making is the four-step model which suggests that individuals go through four sequential stages of moral sensitivity, moral judgment, moral intention, and moral behaviour (Rest, 1986). The first step of ethical decision-making (i.e., moral sensitivity) occurs when an individual becomes aware that an ethical problem exists and that his or her actions may affect others. In the second step, (i.e., moral judgment), the individual starts the

evaluation process of different courses of actions to determine whether they are morally right or wrong. The third step (i.e., moral intention) is when the individual chooses a course of action amongst several alternatives. The four-step process ends when the individual engages in moral behaviour. Previous research has found differences between men and women in these components of decision-making processes.

Gender differences in moral sensitivity were found by Shawver, Bancroft, and Sennetti (2006). The results of their study indicated that female accountants were more sensitive to business situations involving earnings management and viewed earnings management actions as less ethical than male accountants. In a study involving 166 participants from business classes, Barnett, Brown, and Bass (1994) examined the ethical judgments of the students regarding 24 business-related scenarios. These scenarios included, amongst others, “a worker passing blame for errors to an innocent co-worker, a worker claiming credit for someone else’s work, an employee following management directives and not informing an auto manufacturer about a faulty component part, a manager authorizing a subordinate to violate company rules, a management decision that violates the privacy of subjects during a marketing research study” (Barnett, Brown & Bass, 1994, p.335). The results of their study showed significant differences in the ethical judgments of participants based on gender in 22 of the 24 cases, with male students judging all the actions described in the scenarios to be less unethical than the female students. These gender differences, as Barnett, Brown, and Bass (1994) further explained, indicated that males’ moral development might be slower than that of females, or that males’ approach towards moral dilemmas might be more pragmatic.

Research examining gender differences in moral judgment and moral intention has produced mixed results. In a study of 150 American and 72 Spanish business professionals, Valentine and Rittenburg (2007) found that women were associated with greater ethical intentions. However, no significant differences between males and females were found in respect of ethical judgments. In a controlled experiment, with 109 male and 62 female participants nearly all of whom were certified public accountants, Shawver and Clements (2015) explored gender differences in ethical evaluations involving earnings management by shipping product early to meet a quarterly bonus. The results of the experiment showed that there were no significant differences in moral intentions between male and female professional accountants. Both male and female professional accountants also made a similar moral judgment that this action should not be completed. Through an empirical research that used six scenarios involving ethical issues and requiring decisions, Dawson (1995) attempted to validate the prediction that men and women differ in how they solve moral dilemmas. The results strongly supported the theory of gender socialisation that males and females bring different ethical standards and values to the work environment. Dawson (1995, p.68) found that in the process of determining what is morally right or wrong, females were likely to “primarily respect feelings, ask “Who will be hurt?”, avoid being judgmental, search for compromise, seek solutions that minimise hurt, rely on communication, believe in contextual relativism, be guided by emotion, and challenge authority”. Males, on the other hand, tended to “primarily respect rights, ask “Who is right?”, value decisiveness, make an unambiguous decisions, seek solutions that are objectively fair, rely on rules, believe in blind impartiality, be guided by logic, and accept authority” (Dawson, 1995, p.68).

Although previous studies have found evidence of differences in ethical decision making between men and women, research has also suggested that there are several factors that may mitigate these gender differences. For example, Shawver and Clements (2015), who found no differences in ethical evaluations, moral judgments, and moral intentions between male and female practising accountants, have offered several possible explanations for the lack of gender differences. They suggest that gender differences may decrease due to work-related socialisation, occupational roles, and similar training. Socialisation in the accounting environment and exposure to the same training may effectively eliminate differences between male and female accountants. This eventually may lead to the same types of decisions made by both genders (Shawver & Clements, 2015). Gender differences due to socialisation, as suggested by Robin and Babin (1997, p.70), are “more likely to appear before individuals enter the “structure” of the business world, but once there, differences are expected to be minimal.”

## **2.2. Gender Differences in Auditors’ Judgments**

Auditor judgment is regarded as one of the most important elements of a financial statement audit and defined as “any decision or evaluation made by an auditor, which influences or governs the process and outcome of an audit of financial statements” (Wedemeyer, 2010, p.320). Auditors use their judgments when they make major decisions such as: “(1) the assessment of the risks of material misstatements of financial statements, including the potential effects of fraud, bias and business risk; (2) the identification, performance and assessment of audit procedures to address those risks; (3) the evaluation of audit evidence to determine the quality and meaning of that evidence and to assess the need for additional evidence based on the process; and (4) the formation of an opinion on the financial statements and the decision whether or not to express that opinion” (Wedemeyer, 2010, p.321). Previous behavioural accounting research focusing on gender differences in auditors’ judgments has produced mixed results. While some researchers have seen no differences in judgments between male and female auditors (e.g., Jamilah, Fanani & Chandrarin, 2007; Hajiha, Godarzi & Fatahi, 2012; Yustrianthe, 2012), others have found empirical evidence of significant gender differences in decision-making processes (e.g, Chung & Monroe, 2001; Khalkhali, Jamali, & Soltani, 2014; Bobek, Hageman & Redtke, 2015).

Despite numerous past studies examining gender differences in auditors’ judgments, the results are still inconclusive. Jamilah, Fanani, and Chandrarin (2007), for example, found no evidence of the effect of gender on audit judgment. This result was supported by Hajiha, Godarzi, and Fatahi (2012) who examined auditor judgment and decision-making with a sample of 100 members of Iranian Association of Certified Public Accountants (IACPA). The results of statistical tests showed no correlation between auditor gender and auditor judgment and decision. Yustrianthe (2012) also found that auditor gender did not have any impact on auditor judgment. This result was attributed primarily to the fact that both male and female auditors are required to be professional in performing their duties. Nevertheless, significant gender differences in auditors’ judgments have been found in some other studies, thus supporting the prediction of gender socialisation theory. Chung and Monroe (2001) carried out an experiment, in which the participants were asked to make judgments about an inventory balance. The results supported the hypothesis that there would be a significant

interaction between gender and audit judgment. A study by Khalkhali, Jamali, and Soltani (2014) sought to investigate the role of auditor gender and its impact on audit quality. The results of their study found evidence that there was a significant difference in professional judgments between male and female auditors, indicating that women were more likely to exercise better judgment than men. In a more recent study of 134 participants, Bobek, Hageman, and Redtke (2015) investigated the effects of professional role, decision context, and gender on the ethical decision making of public accounting professionals. The findings of their experiment suggested that males and females may use different decision-making processes.

Based on gender socialisation theory that suggests that men and women will bring different ethical values to the workplace, thereby resulting in differences in their ethical decision making, together with the results of past studies that provide support for the theory, as discussed above, the research hypothesis is formulated as follows:

**H1:** There are gender differences in auditors' judgments.

### 3. METHOD

#### 3.1. Participants

A total of one hundred mail questionnaires were sent out to a sample of conveniently selected auditors working at public accounting firms in Jakarta and Surabaya and fifty-four completed questionnaires were returned, thus representing a response rate of 54%. From Table 1, it can be seen that of the 54 respondents, 52% were male, 43% were between the ages of 25 and 30, 78% possessed undergraduate degrees, and 48% were junior auditors.

**Table 1:** Demographic Profile of Respondents

Demographic Profile		Number of respondents	Percentage
Sex	Male	28	52%
	Female	26	48%
	Total	54	100%
Age (years)	<25	18	33%
	25 - 30	23	43%
	>30 - 35	6	11%
	>35 - 40	3	6%
	>41 - 45	3	6%
	>45	1	2%
	Total	54	100%
Education	Diploma	2	4%
	Undergraduate	42	78%
	Master	8	15%
	Doctorate	2	4%
	Total	54	100%
Position	Junior Auditor	26	48%

Senior Auditor	23	43%
Assistant Manager	2	4%
Senior Manager	2	4%
Director	1	2%
Total	54	100%

### 3.2. Research Instrument

The structured questionnaire method was used to collect data from respondents. The questionnaire comprised two main sections: a first section containing questions regarding demographic data, including sex, age, educational background, and public accounting position, and a second section measuring auditor judgments. Auditor judgments were measured by using the instrument employed by Jamilah, Fanani, and Chandrarin (2007), whereby respondents were asked to indicate their responses on a scale of 1 (very unlikely) to 7 (very likely) for five case scenarios, with one question for each case scenario. Item responses were then summed to create a total score for auditor judgments. The maximum score possible for this instrument was 35 points with the minimum possible score of 5 points. High scores indicated better auditor judgments.

Prior to hypothesis testing, instrument validity and reliability tests were conducted. The validity of research instrument was tested by using the Pearson product-moment correlation coefficient. A survey instrument is generally considered valid if the value of the Pearson Correlation is greater than 0.3 (e.g., Setiawan & Iswari, 2016; Setiawan, 2017). The analysis showed that the values of Pearson Correlation for all five questions in the second section of the questionnaire were greater than 0.3 (see Table 2), thus confirming the validity of the instrument.

The reliability of a survey instrument is generally assessed by using Cronbach's Alpha, whereby an instrument is considered reliable if Cronbach's Alpha is greater than 0.6 (e.g., Setiawan & Iswari, 2016; Setiawan, 2017). Since the alpha coefficient for auditor judgment variable was 0.628, the reliability of research instrument was also confirmed. The results of validity and reliability tests are summarised in Table 2.

**Table 2:** Validity and Reliability

Validity		Reliability	
Item	Pearson Correlation	Item	Cronbach's Alpha
AJ1	0.629	Auditor_ Judgment	0.628
AJ2	0.485		
AJ3	0.792		
AJ4	0.544		
AJ5	0.703		

## 4. RESULTS

As presented in Table 3, descriptive statistics for the two groups showed that the mean score of auditor judgments for male respondents was 19.46, with a standard deviation of 6.49. Slightly higher than their male counterparts, female auditors scored

an average of 21.19 on auditor judgments, with a standard deviation of 6.16. An independent-samples t-test was run to determine whether the difference between two groups was statistically significant. The group means would be statistically significantly different if the *p*-value was less than 0.05.

**Table 3:** Descriptive Statistics

	Gender	N	Mean	Std. Deviation	Std. Error Mean
Auditor_Judgment	Male	28	19.4643	6.49491	1.22742
	Female	26	21.1923	6.15805	1.20769

**Table 4:** Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Auditor_Judgment	Equal variances assumed	.412	.524	-1.002	52	.321	-1.72802	1.72540	-5.19030	1.73426
	Equal variances not assumed			-1.004	51.974	.320	-1.72802	1.72194	-5.18339	1.72735

Table 4 provides the actual results from the independent t-test. The results showed that the *p*-value was 0.321 (greater than 0.05), indicating that the hypothesis of this study—there are gender differences in auditor judgments—was rejected. As suggested by previous research, this lack of differences between male and female auditors may be attributable to several factors. First, Shawver and Clements (2015) suggest that gender differences may decrease due to work-related socialisation, occupational roles, and similar training. Socialisation in the accounting environment and exposure to the same training may effectively eliminate differences between male and female auditors. This eventually may lead to the same types of decisions made by both groups. Secondly, Robin and Babin (1997, p.70) suggest that gender differences due to socialisation are “more likely to appear before individuals enter the “structure” of the business world, but once there, differences are expected to be minimal”. Finally, Yustrianthe (2012) suggests that auditor gender does not have any impact on auditor judgment because both male and female auditors are required to be professional in performing their duties.

## 5. CONCLUSIONS AND RECOMMENDATIONS

This study explored differences in auditors' judgments between male and female auditors. The independent-samples t-test performed to test the research hypothesis found no significant differences between the two groups. This lack of gender differences may be caused by work-related socialisation, occupational roles, similar training, the structure of the business world, and professional standards. These factors may eliminate differences between male and female auditors and lead to the same types of decisions made by both groups. The main practical implication of this finding is that public accounting firms should not develop and implement gender-specific policies on hiring and training auditors in order to build and maintain ethical workplace cultures.

Although the use of mail questionnaires in the present study to collect data from respondents may be practical and cost-effective, it may have its own disadvantages, including its susceptibility to errors and manipulation. Therefore, besides the use of larger sample sizes, the use of other data collection techniques such as interviews and focus groups is highly recommended for future studies.

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