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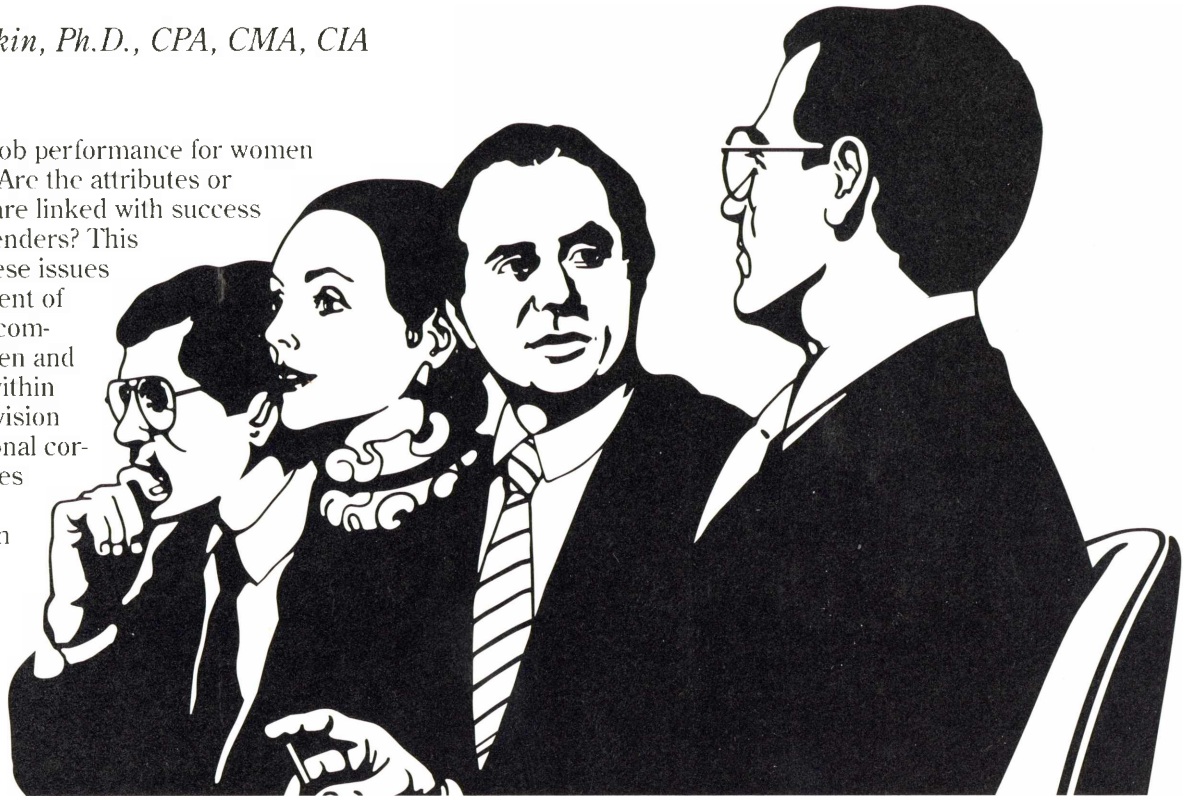
# Does Gender Affect Internal Auditors' Performance?

By Joseph M. Larkin, Ph.D., CPA, CMA, CIA

How does on-the-job performance for women compare with men? Are the attributes or characteristics that are linked with success the same for both genders? This article addresses these issues within the environment of internal auditing. It compares men and women and their performance within the internal audit division of a large multi-national corporation and identifies certain personal characteristics which are associated with successful internal auditors.

While females had earned higher grades in school, tended to be more motivated, and had slightly higher levels of job satisfaction, this study found that male internal auditors' performances were rated higher than those of their female counterparts. Males also indicated stronger levels of organizational and professional commitments.

These findings raise a number of interesting questions. For instance, why is male performance rated higher than female performance, yet women earned higher grades in college, are more motivated and report higher levels of job satisfaction? Is it because men are more committed to their organization and profession? Or are there other factors which may explain the differences in performance ratings across genders? This study explores these issues.



## Background

Over the years, more and more women have entered the accounting profession. A recent survey by the American Institute of Certified Public Accountants shows that

females comprise 50 percent of accounting graduates (AICPA, 1988). The number of female graduates has affected the profession considerably and raised many questions. Clearly, women are a force to be reckoned with in the accounting and auditing professions.

This article reports on a study that examined five important personal dimensions and relates them to auditor performance. The personal dimensions are ability, organizational commitment, professional commitment, job satisfaction and motivation. In

*Why is male performance rated higher than female performance, yet women earned higher grades in college, are more motivated and report higher levels of job satisfaction?*

the past, each one has been linked to performance.<sup>1</sup>

Ability, as used in the study, is the competency of an individual to satisfactorily perform the required tasks of a job. It is measured using the undergraduate grade-point average (GPA), the degree attained and the prestige of the institution attended.

As indicated above, commitment includes two different concepts. Organizational commitment is defined as the strength of an individual's identification with and involvement in a particular organization. Professional commitment is the degree of an individual's loyalty to his or her profession, as perceived by the individual.

Job satisfaction is defined as the overall level of an individual's personal satisfaction with a position within an organization, relative to co-workers.

Motivation can be considered as the force that moves someone to a certain course of action or behavior.

### The Study

The research instrument was a survey based upon items which were used in previous studies. It was mailed to every staff member of the organization. Over 65 percent of the questionnaires were completed and returned. In total, seventy-one staff auditors (44 male and 27 female) participated in this study, reporting demographic and attitudinal data via the survey instrument.

### Performance Appraisal

Each staff internal auditor routinely received an annual overall performance appraisal from a superior who had supervised the

individual regularly throughout the year. The performance appraisal served as a global assessment of the past year's performance. The performance appraisals were extensive and strongly distinguished varying levels of performance.

Five levels, or grades, were used in the rating process. They were: outstanding, very good, good, unsatisfactory, and pending termination. All of the participants in the study received at least a "good" rating. According to management,

this was an acceptable level of performance.

### Ability

The respondents provided three items as indicators of ability. As stated earlier, these were: college CPA, highest academic degree attained, and school attended.<sup>2</sup>

The self-reported GPAs were based on a scale of A = 4.0, B = 3.0, etc. All of the respondents had earned either a bachelor's or master's degree.

## Exhibit I Job Satisfaction Test

- I. Which one of the following shows how much of the time you feel satisfied with your job:
  1. Never
  2. Seldom
  3. About half of the time
  4. Most of the time
  5. All of the time
- II. Choose one of the following statements which best tells how well you like your job:
  1. I hate it.
  2. I dislike it.
  3. I am indifferent to it.
  4. I like it.
  5. I love it.
- III. Which one of the following best tells how you feel about changing your job?
  1. I would quit this job at once if I could.
  2. I would like to change both my job and my occupation.
  3. I would like to exchange my present job for another one.
  4. I am not eager to change my job, but I would do so if I could get a better job.
  5. I would not exchange my job for any other.
- IV. Which one of the following shows how you think you compare with other people?
  1. No one dislikes his/her job more than I dislike mine.
  2. I dislike my job more than most people dislike theirs.
  3. I like my job about as well as most people like theirs.
  4. I like my job better than most people like theirs.
  5. No one likes his/her job better than I like mine.

### Your Job Satisfaction Measure:

Add up your score for the four questions. Match your score with the appropriate category. This is your job satisfaction measure.

Score	Job Satisfaction Level
17-20	Extremely satisfied
13-16	Very satisfied
12	Satisfied/indifferent
8-11	Very dissatisfied
4-7	Extremely dissatisfied

<sup>1</sup>These variables have been used in other studies as predictors of success and/or have been linked to high performance in other environments, but never in the internal auditing context, and without specifically addressing the gender effect. See, for example, Ross and Ferris, 1981; Harrell and Stahl, 1984; Jiambalvo, 1979.

<sup>2</sup>In prior studies, these items served as surrogate measures of an individual's ability (Ross and Ferris, 1981; Ferris and Larcker, 1983). Ross and Ferris found the strongest support for quality of school attended, followed by degree attained as the best predictors of performance. Ferris and Larcker found mixed support for all three variables.

*Respondents were also asked whether they believed that hard work would lead to a favorable performance appraisal and whether the favorable performance appraisal would then lead to the rewards.*

Every reported school was classified to assess institutional quality. Nine classifications were used in the rating process. They ranged from noncompetitive (1) to most competitive (9) as defined in *Barron's Profiles of American Colleges*.

#### Organizational Commitment

Organizational commitment may be defined as the strength of an individual's identification with and involvement in a particular organization. It is reflected in the individual's assessment of the likelihood that he or she will remain with the organization as a hard-working member. To measure organizational commitment, respondents were asked:

(1) *Relative to my co-workers on the job, I work very hard (strongly agree = 1.0 through strongly disagree = .25), and,*

(2) *Please estimate the probability, from 0 to 100 percent, that you will be with your organization three years from now.*

The products of these items served as the respondents' organizational commitment measure.<sup>3</sup>

#### Professional Commitment

Professional commitment is defined as the degree of loyalty

which an individual has to his or her profession, as perceived by the individual. In this study it was reflected in an individual's probability assessment of future organizational membership within the Auditing Division of the organization. The following question was asked to measure professional commitment:

*If you believe that you will be with your organization three years from now please estimate the probability, from 0 to 100 percent, that you will be in your current division or position.*

#### Job Satisfaction

Respondents answered four questions concerning job satisfaction.

They appear in Exhibit 1. They have been used frequently in the past as measures of satisfaction.

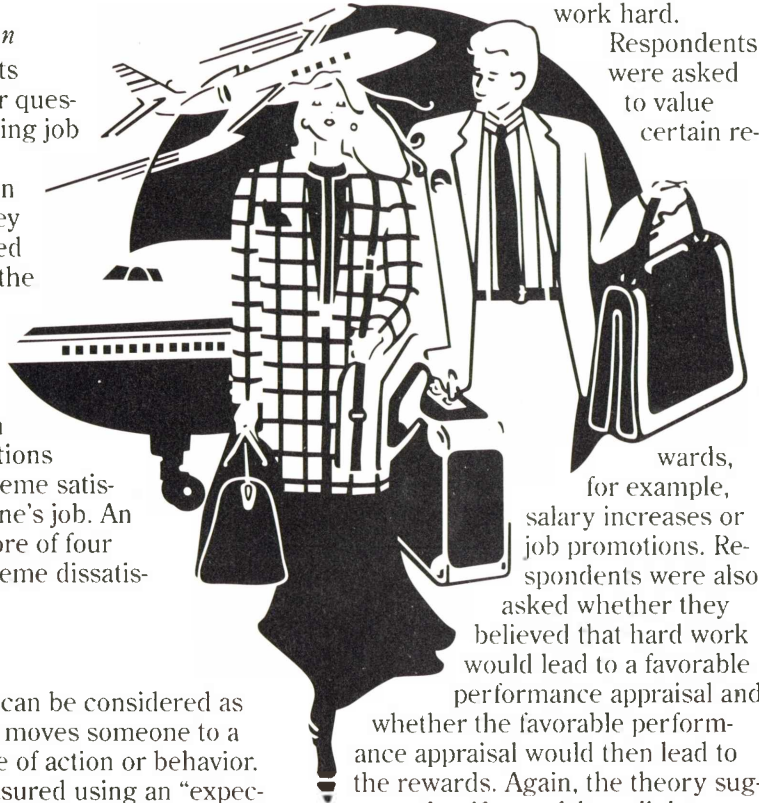
An aggregate score of 20 on the four questions indicates extreme satisfaction with one's job. An aggregate score of four suggests extreme dissatisfaction.

#### Motivation

Motivation can be considered as the force that moves someone to a certain course of action or behavior. This was measured using an "expectancy theory" approach. The main point of this theory suggests that the motivation of an individual to perform at a particular level of effort depends upon the value that an individual places on an outcome, the

likelihood that effort leads to performance and that performance leads to the outcome. If any single component of the model breaks down, the level of motivation to perform will be affected. For example, if a staff auditor believes that the performance appraisal system is unfair, in theory, there would be little or no motivation to perform. Or, if a person feels that regardless of the level of personal performance a desired reward will not be achieved then there will be no incentive to work hard.

Respondents were asked to value certain re-



wards, for example, salary increases or job promotions. Respondents were asked whether they believed that hard work would lead to a favorable performance appraisal and whether the favorable performance appraisal would then lead to the rewards. Again, the theory suggests that if any of these links breaks down, motivation is detrimentally affected.

#### Results

Correlations were computed between the performance appraisal measure and each of the other variables.<sup>4</sup> These correlations

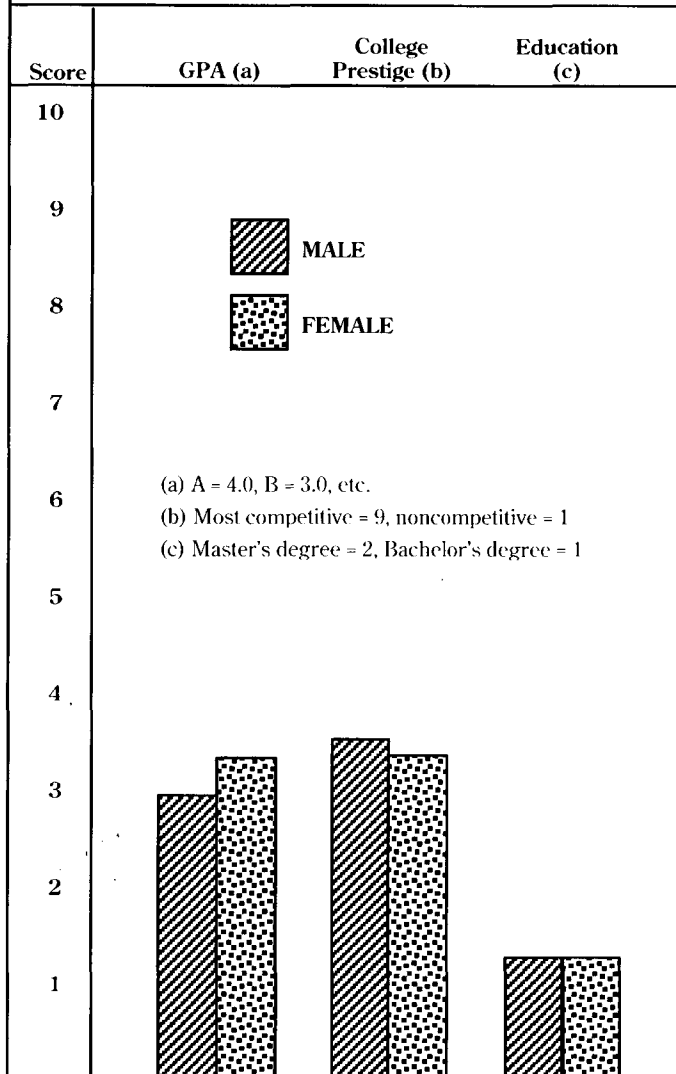
<sup>3</sup>For example, if a respondent strongly agreed that she worked very hard relative to her co-workers and she was 75 percent certain that she will be with the organization three years later, her organizational commitment score would be  $1.0 \times 75 = 75$ .

<sup>4</sup>The Kruskal-Wallis one-way analysis of variance test was used to measure the association between performance (the dependent variable). This test is useful for deciding whether two independent samples are from different populations. In effect, it is a measure of the correlations between the variables.

**TABLE 1**  
**Items Related to Performance**

Performance		
Related	Partially Related	Not Related
Job Satisfaction	GPA	Highest Degree Attained
Motivation	College Prestige	Professional Commitment
Organizational Commitment		

## EXHIBIT 2 Comparisons Across Genders Ability Measures



measured the strength of the relationships between the performance appraisal measure and each of the other variables. Based upon these correlations, Table 1 categorizes the relationships between the performance appraisal and each variable. The results range from very strong relationships to little or none. The items most closely related to performance were job satisfaction, motivation, and organizational commitment. A somewhat weaker relationship was found between performance appraisal and GPA, and performance appraisal and college prestige. Finally, no relations was found between either performance appraisal and the highest degree attained or performance appraisal and professional commitment.

necessary when interpreting the fact that male performance appraisals, as indicators of performance, were found to exceed female performance appraisals. Taken out of context, this finding could be misleading. There are many more variables and/or job dimensions which may influence and measure performance. For instance, job stress, marital status and length of service were not considered. These and possibly other variables could impact performance and performance measures.

Is there a gender effect on the performance appraisal process itself? Men were found to have received higher performance appraisals than women, 62.0 versus 52.9. It is noteworthy that all of the raters were males. Perhaps this impacted the

Another statistical test<sup>5</sup> was performed to determine if gender played a role in explaining differences in the reported scores. From a statistical standpoint, only the self-reported GPA was significantly different between males and females.

For discussion and comparative purposes, all scores except those for performance appraisal and ability were converted to a common scale ranging from 0 - 100. See Exhibits 2 and 3 for the results.

### Discussion

The findings should aid management in many ways. For example, insights can be gained towards recruitment, staffing, performance appraisal, professional education and job design.

Caution is

*The weak relationship between performance appraisals and the ability measures for both genders raises some question as to whether the organization is justified in paying a premium for individuals possessing a graduate degree, a high GPA or a diploma from a "name" school.*

process.

Females reported significantly higher GPAs than their male counterparts. This is consistent with earlier studies. It may corroborate the suggestion sometimes made that females feel more pressure to prove themselves and thereby work harder in doing so. Superior female performance in an academic environment may result because there are fewer confounding factors in such an environment. Students may be able to control their destinies to a greater degree and respond more successfully to the motivating pressure mentioned above. In a work environment this control is not as strong.

The weak relationship between performance appraisals and the ability measures for both genders raises some question as to whether the organization is justified in paying a premium for individuals possessing a graduate degree, a high GPA or a diploma from a "name" school. It is also possible that only graduates with these credentials are hired, so everyone shares these common attributes.

The male auditors graduated from more "prestigious" schools, but the difference between genders was slight. The relationship between performance appraisal and rated prestige of the school attended is of interest. Regardless of whether there is a true relationship between the

<sup>5</sup>An analysis of variance was completed to determine if there were significant differences between genders for each item across genders. Only the self-reported GPAs were statistically significantly different.

school attended and subsequent performance, there appears to be a perceived institutional value. This conclusion is based on the association between a positive performance appraisal and a high prestige measure. A feeling may exist among management that certain schools traditionally produce high performers. Also, the result of

*Male internal auditors reported higher levels of organizational commitment than their female counterparts.*

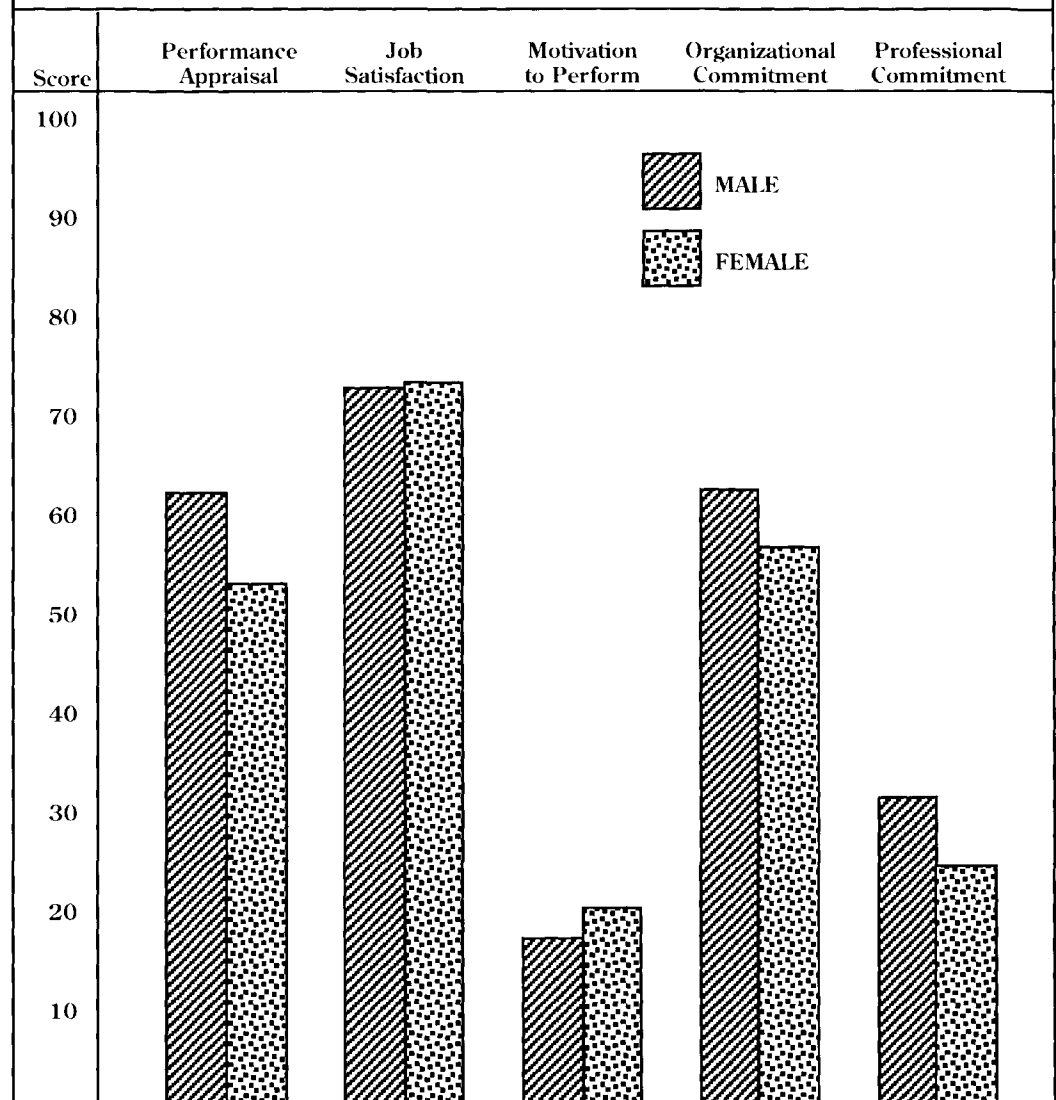
networking and loyalty to the "alma mater" may perpetuate continual recruiting from the same schools. No difference was found between genders regarding the highest academic degree earned.

Female internal auditors scored slightly higher on the motivation and job satisfaction measures. Both items were found to be related to performance. Although it may appear that the motivation levels were relatively low in comparison with the other measures, this resulted from the method used in coding the data.

Male internal auditors reported higher levels of organizational commitment than their female counterparts. This may indicate that males intended to remain with the organization for longer periods of time. This commitment was found to be related to overall performance.

The professional commitment of males was also higher than that of females. Despite this finding, females may simply have envisioned themselves as being in another position within the organization in the future. This result is possible because of the wording of the question used to measure professional commitment. No correlation was found between professional commitment and performance.

### EXHIBIT 3 Comparisons Across Genders



Clearly, differences were found across genders but the differences were mixed. Neither gender outscored or outperformed the other on a consistent basis. This supports the contention that performance appraisal is a complex process. Recruiters, managers and supervisors, therefore, should proceed cautiously when making personnel and staffing decisions.

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