Finance

Women CFOs more reliable?

Date: 06-May-10

More evidence for gender equality in the boardroom? A survey finds women make better CFOs.

Enthralling news from our friends across the pond: according to the American Accounting Association, female chief financial officers (CFOs) are better at their jobs. Well, sort of: research by the Association has shown that lady CFOs have 'a higher quality of accruals'. That may sound like a dubious euphemism, but it's actually something quite important in accounting terms.

Accruals (to the uninitiated) are the way you account for sales or purchases on your books, regardless of when the actual money changes hands. So it's a bit more open to interpretation than (for example) cashflow. As a result, it can give auditors a sense of how a business operates. If there's an 'abnormal' number of accruals, says the AAA, it could be that the company is taking a rather aggressive approach to their accounts, or in a worst case scenario, that it may be engaging in dodgy accounting practices.

And the interesting result of this study was that female CFOs had 'significantly lower amounts of abnormal accruals' than their male counterparts – which, it says, all things being equal, 'means higher earnings quality and more reliable accounting'. Now admittedly this conclusion rests on the definition of abnormal, and this is ultimately a bit subjective. But the AAA reckons that it ran the model four different ways, controlling for various different factors (size of company, growth rate etc). Each time, women were found to be more reliable, and the difference was always statistically significant.

Professor Abhijit Barua of Florida University, who ran the study, reckons this is no great surprise. Women, he says, are generally acknowledged to be less aggressive and more cautious when it comes to making financial decisions and issuing debt – and therefore far more inclined to follow best practice when it comes to accounting.

However, even if that's true, the research does highlight a very real issue. Previous research has suggested that the more gender-balanced a business is in its boardroom, the better it's likely to fare financially. But although women make up half of accountancy graduates, fewer than 10% of the CFOs in the companies examined by the AAA for this study were female. Perhaps this rarity explains why they're more risk-averse. But still - food for thought when you're next recruiting to your accounts department.

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