Gender Difference in White-Collar Crime and the Importance of Gender Diversity

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Introduction

Edwin H. Sutherland, who served as the 29th President of the American Sociological Society delivered his lecture, “White-Collar Criminality,” at the organization's annual meeting in December, 1939. He defined white-collar crime as, “a crime committed by a person of respectability and high status in the course of his occupation” (Sutherland, 1967; emphasis added). The gender-specific definition has since changed, but white-collar crime remains the same. Crimes committed by white-collar workers are typically non-violent crimes, ranging from accounting schemes which misinform auditors and investors about a company’s financial position, Ponzi schemes, and insider trading fraud involving large sums of money. Also included are wage theft, bribery, labor racketeering, embezzlement, cybercrime, copyright infringement, money laundering, identity theft, and forgery. These actions along with clear evidence of criminal intent and illicit financial gain qualify them as white-collar crimes. The demographic of white-collar criminals imply that offenders are “older, Caucasian, employed, and have a high school diploma or higher education. They also tend to be low in conscientiousness, agreeableness, and self-control” (Ragatz and Fremouw, 2010). One large and interesting factor that qualifies an action as a white-collar crime is the status of the individual who commits it. As stated in the definition, this must be someone, “of respectability and high status” (Sutherland, 1967). When analyzing gender roles within an organization, this high status requirement complicates identifying and analyzing white-collar crimes. As much advancement as women have made in the business workforce, there remains today several differences in positions held by males and females and what role they play in the organization. Among these differences is group size, occupational location, and use of organizational resources. The degree of involvement, motivation, and type of white-collar crime all differ among genders. Based on the
Gender differences within an organization, several studies show that men are more likely to be involved in white-collar crime. Although the gender roles within an organization clearly differ, there are several factors, both social and psychological that show gender differences in white-collar crime and help explain why more males are involved in white-collar crimes. Increased representation of women in corporate settings, especially in high status positions, is necessary to diversify the social and psychological dynamic of the workplace, decreasing white collar crime.

**Background Information**

Although the assumption can be made that males are more likely to be involved in white collar crime because there are more males in the business world, this is not entirely true. There is no way to deny that women can also be involved. Among the most well-known white-collar crimes committed is Bernie Madoff, Enron, and Martha Stewart. Bernie Madoff was responsible for the largest Ponzi scheme in American history. As an investment advisor and financer, he convinced people to invest money with him by promising very large profits in a short amount of time. However, the profits he was giving those who invested with him was simply the money of the new investors he was persuading. This may work as a manageable business plan for some time, but will eventually fail when new investor’s money is not enough to satisfy returns of old investors. By the date he was arrested in 2009, Bernie Madoff defrauded investors out of more than $65 billion. Many individuals who invested with Madoff and trusted him in managing their wealth were financially wiped out. Pleading guilty to eleven counts of various financial crimes, Madoff was sentenced to 150 years in prison (Henriques, 2009). In February of 2020, Madoff filed a petition for early release, after serving only eleven years. According to filings, doctors determined in September of 2019 that he is terminally ill and has limited time left to live. His current request is still pending (Yaffe-bellany, 2020). Another infamous example of white-collar
crime is Enron. Enron was one of America’s largest companies in the natural gas commodities trading market. It was also responsible for one of the largest accounting scandals. The company’s record high financial statements were not accurate. Top management at Enron used elaborate accounting techniques and confusing financial statements to sustain high stock price growth rates. Shareholders lost approximately $74 billion, along with employees who lost pension benefits. Additionally, Arthur Andersen, the accounting firm which was the auditor for Enron, concealed the wrongdoings of Enron's top managers. The company was charged with obstruction of justice for destroying Enron files and 85,000 employees lost their jobs when the company was forced out of business (Barrionuevo, 2006).

Meanwhile, one of the most well-known female examples of a white-collar crime is Martha Stewart’s insider trading. Known for her brand and wide line of home goods, she was convicted of conspiracy and obstruction of justice in 2004. She was made aware of insider information regarding a drug maker, ImClone Systems. She sold nearly 4,000 shares after learning of an FDA ruling against the anti-cancer drug, before the negative news was made public. She was also informed by her friend, the company's founder, that he was selling his shares. Martha Stewart told investigators that she and her broker were already planning to sell the shares, but this was a lie. As a result, she served five months in prison and was restricted in obtaining any executive roles (Hays, 2003).

**Gender Differences in Involvement in White-Collar Crime**

There are several variations of white-collar crimes and as seen in the most well-known examples, and there are differences in male and female involvement. Looking at white-collar crime from a very general perspective, studies have shown that women are not as highly responsible for involvement in these corporate crimes. A database of eighty-three corporate
frauds involving four hundred thirty-six defendants examined conspirator roles, company positions, and distribution of profit. Out of the four hundred thirty-six convicted, only thirty-seven were female (Steffensmeier, Schwartz, and Rochea, 2013). Additionally, while many groups were all male conspirators, none were all female. Females did not take the initiative to form their own groups. This study revealed that female conspirators received much less of a personal gain or profit than their male counterparts, regardless of whether their corporate rank and role in the crime was the same. Some females made no financial benefit from their involvement, but rather did it for job security. The majority of “ring leaders” or those who had major roles were men. Few women who had major roles did so because the role was shared with their spouse or someone with whom they had a close relationship. The majority of female co-conspirators played minor roles, despite having the same or similar company positions as men in some cases. The two factors that contributed to female involvement were relationships and utility. The women either had a close personal relationship with the men involved or they occupied a strategic position with access to and knowledge of financial information.

The ethical and moral reasoning behind involvement in white-collar crimes is influenced by more than just gender. The claim cannot be made that women are simply more ethical than men in corporate settings. There are social, psychological, and personal factors that cause a difference in involvement. A study examining the personality characteristics of male and female executives found that women actually possess similar masculine or assertive characteristics when in an executive role. However, women, particularly not in an executive position, face pressure to adopt masculine interpersonal styles in order to be considered qualified for leadership. In other words, the reason many women had small involvement in white-collar crimes was to show that they can possess the same qualities and work equally with their male counterparts. As previously
stated, this is what they considered job security, or fitting in with the male dynamic found in many business environments. Research examining gender effects in social influence shows differences between men and women and how much others influence them. John French and Bertram Raven were two social psychologists who studied the types of power genders possess and how leaders influence people. It was found that men have higher levels of expert and legitimate power than women do, specifically in United States culture (Carli, 1999). Expert power is based on employees’ perception of a manager or high ranking position within an organization and whether he or she has a high level of knowledge or specialized skill set that other employees do not have. Legitimate power is the power derived from the position held by an individual. With higher levels of these powers, it is more likely that men can influence other men and women to be involved in white-collar crimes. Many of the documented white-collar crimes that were examined were all male groups, with the exception of some females who were influenced to participate. Women, however, have not formed their own groups or influenced each other because they are more inclined towards positive changes and are more likely to be concerned with social responsibility in the workplace.

**Gender Differences in Motivation for White-Collar Crime**

Along with involvement in white-collar crimes, motivation and rationalization for involvement also differs among genders. Previous studies show the differences in reasoning and rationalization between men and women. In 1953, incarcerated male embezzlers were interviewed and questioned on motivation. The most frequent response to rationalize their actions was that the men were only borrowing the money with intentions to repay employers. These men expressed the presence of a personal financial problem, for example, gambling debts (Holtfreter, 2015). Later in 1981, a similar interview was done using a sample of women
incarcerated for financial crimes in California. The most frequent response in this case was that the money was necessary for financial needs relating to family members, for example, medical bills for a sick family member (Holtfreter, 2015). Women admitted to their crimes and rationalized their actions due to financial need for their families, as opposed to men’s individual financial gain, with intentions of repayment.

While previous studies have shown that men are more likely to be dishonest or act unethically when faced with the opportunity to commit a white-collar crime, it is clear that although the numbers are lower, women are also involved. The sex-role socialization theory states that women are socialized to obey the rules, whereas socialization for men is less binding (Ward and Beck, 1990). However, this expectation for women to obey the rules is not always true as seen in the women who admitted to their involvement in corporate crimes. A study using American college students was done to analyze and help explain why women engage in dishonest behavior despite being socialized to obey the rules. One hundred sixty five students who were enrolled in an introductory social psychology course were given back their midterm for self-grading, after the instructor had already calculated and recorded grades. Of the one hundred sixty five, thirty six students were dishonest, seventeen of which were male and nineteen of which were female. However, eleven out of seventeen male students gave no excuse, whereas fourteen out of nineteen females gave an excuse. These findings suggest that women are much more likely to require the psychological mechanism of excuse making before or after engaging in dishonest behavior. When applied to white-collar crime, the excuse making mechanism is clearly seen in women’s justification for committing the crime because of financial need for their families, an excuse that some may feel sympathy for. This can also help to explain the differences in the amount of males and female white-collar criminals. Women seek to justify
or rationalize their actions when committing the crime or acting dishonestly, as seen in explanations related to familial needs. If there is no reasonable excuse to justify their actions they may not go through with the illegal activity. On the other hand, men use the excuse making mechanism less, and may perform these illegal corporate activities without consideration of a valid excuse or justification.

**Gender Differences in Type of White-Collar Crime**

Another factor of white-collar crime that differs between genders is the actual type of white-collar crime they commit. As stated, these crimes include many activities ranging from accounting schemes to embezzlement to insider trading. Some, more serious than others, can be very costly to an individual or an entire business, while others, even though illegal, are much less significant and easier to correct. A study in which five thousand four hundred forty-one fraud cases were investigated from ninety-three different nations from 2002 to 2011, it was found that women are actually three times more likely to commit asset misappropriation, which is the least costly white-collar crime to a business. Although this does not support the argument of women being less involved in financial crimes, it was also found that men are more likely to commit financial statement fraud, and also perpetuate larger financial fraud damages in all types of white-collar crimes than females. These results do not necessarily point to any social or psychological differences, but rather show how males hold more senior or partner positions with greater opportunities to commit more costly fraud than females. Males also tend to work in groups as opposed to females who committed white-collar crimes alone. Males conspired with each other, with a very strong masculine presence in the business workplace. Females however, did not conspire with each other, not knowing that another female may also be working on the same illegal activity (Daly, 1989).
Although there are actually more female CEOs today than ever before in history, the number of male CEOs still significantly outweighs that of females. Of the companies that make up the 2019 Fortune 500 list, the number of female CEOs is a record high 6.6% (Connley, 2019). This was a considerable increase from the previous year, with 4.8% female CEOs. With rising numbers of female business students and entry level jobs, the number of female senior partners and high ranking positions within an organization remains the almost the same. As seen in the types of white-collar crimes committed by each gender, female’s crimes are less costly and seem less significant because they are not in a position of power to commit the more costly and severe crimes. Women are as equally capable to perform the tasks that come with a high ranking position, but are held to a higher standard than their male counterparts. In a book titled, *Capital Culture: Gender at Work in the City*, author Linda McDowell explains, “Organizations reflect masculine values and power, permeating all aspects of the workplace in ways often taken for granted. Not only the formal structures of institutions, their recruitment, promotion and appraisal mechanisms, and their working hours, but also informal structures of everyday interactions reinforce women’s inferiority” (McDowell, 1997, p. 29). In an analysis examining the barriers or lessons that young professional women need to overcome to obtain high ranking or senior level positions in gendered workplaces, women were asked to share their experiences in corporate settings. It was found that women need to find the right balance between feminine and masculine qualities, they cannot count on other women, or same-sex solidarity, motherhood is still a career barrier with such a demanding job, and that they must accept sexism as an inevitable aspect of being a professional woman in a leadership position (Chowdhury and Gibson, 2019). Women obtaining top ranking positions brings into question whether or not they will now become more involved in what is considered more severe or costly white-collar crimes now that they are in a
position to do so. Social, psychological, and personal differences between males and females in leadership positions help to answer this question.

**Impact of Workplace Gender Diversity**

There is no clear solution to ending white-collar crime, as there is no solution to stopping any type of crime. The differences among genders give an insight to possible solutions. Since studies have indicated higher levels of male group involvement in white-collar crimes, gender diversity is necessary to attempt to reduce the occurrence. With an increasing number of women entering the workforce, especially the business sector, there is more of an opportunity to commit white-collar crimes. However, “despite the increasing rates of women in business, opportunities by females to commit white-collar crime may be neutralized by the intrinsic character of a woman” (Hillard and Neidermeyer, 2018). Female involvement in higher positions has proven to have an effect on performance and output, as well as the number of white-collar crimes and restatements. Analyzing a sample of six thousand one hundred thirty-two different firms from 2000 to 2010, it was found that female presence on executive boards was associated with a lower likelihood of financial manipulation (Wahid, 2019). Many observations allude to white-collar crime as a result of a strong masculine atmosphere, a “boy’s club,” or a group of male conspirators. Board gender diversity impacts the performance of a firm by changing the board dynamic and increasing the range of knowledge, skill, and ability present. This study found that boards with female directors “have fewer restatements and fewer irregularity-type restatements” which are indicative of financial manipulation. With a more diverse pool of perspectives, it is less likely that all members will be convinced to engage in the same illegal corporate activity.

Gender board diversity is crucial in enhancing a company’s corporate social responsibility and public reputation as well. Corporate social responsibility is “a self-regulating
business model that helps a company be socially accountable- to itself, its stakeholders, and the public” (Chen, 2020). Several factors regarding gender differences show the positive impact that females in high ranking positions have on a company. Gender diverse board composition is not only expected to have a positive impact on corporate social responsibility, but female directors are also more likely than male directors to have expert backgrounds outside of business and bring diverse perspectives to the board (Bear, Rahman, and Post, 2010). It was also found that the presence of more female directors on board may encourage more interactive communication among board members. Having female leaders in important positions stimulates more open conversation among board members. With a more open and diverse board, it is less likely that groups of male or female conspirators will be able to commit white-collar crimes in such an open and transparent workplace. As mentioned, men were found to have higher levels of expert and legitimate powers compared to females. It was also found that females have higher levels of referent power (Carli, 1999). Referent power is an aspect of personal power that relates to a leader with strong interpersonal relationship skills. It is the ability to influence employees due to respect and admiration for the leader. Referent power emphasizes a leader's ability within an organization to be collaborative and influential, rather than demanding and controlling. Female leaders tend to focus less on the financial performance of a business. They promote less emphasis on the numbers and ranking of the business, and more on the ethical and social responsibility of the business. Having a board of directors with diverse characteristics has also proven to maximize a firm’s value. A study was conducted to examine the impact of board gender diversity on a firm’s value and financial risk. Using fifty-one manufacturing companies from the Indonesia Stock Exchange from 2016 to 2017, it was found that the presence of female directors has a positive and significant effect on a firm’s value. Additionally, females were found
to be generally more risk-averse than males. As they are less willing to take risks, the company or firm overall would take on less financial risk. (Panjaitan, 2019). Financial risk can bring about large rewards, but also large losses. With less financial risk, there is much less pressure to manipulate financial statements or engage in white-collar crime to compensate for those large losses.

As stated in an earlier example, Enron was one of the largest accounting scandals in American history. Sherron Watkins, former Vice President of Corporate Development at Enron, played a large role in the company. She “had managed a $1 billion portfolio of assets, traveled with top executives on the company jets to help sell deals, courted clients in Beaver Creek, Colorado, for ski weeks or for a day at the Masters Golf Tournament” (Watkins, 2003). As a woman who climbed the corporate ladder, she also recognized the struggles that come with it, admitting that her success also came with a lot of time away from home and long working hours.

In June of 2001, her job was to prioritize the assets that Enron had for sale. Her first encounter with white-collar crime came when she noticed Andy Fastow, Chief Financial Officer of Enron, was inconsistent with accuracy in financial statements. He used elaborate accounting techniques to use financials from another company in order for Enron to reach its financial statement targets from 1999 to 2001. When first questioning the fraudulent financial statements, Sherron Watkins could not receive a clear explanation for the numbers. Watkins was aware of the white-collar crime occurring within Enron and promptly informed the CEO. Even CEO, Ken Lay, was not very accepting of the news, as no other top executives were willing to back Watkins up. She strongly encouraged the company to be honest about the illicit accounting methods that were being used. Watkins said, “Enron and its team of investigative attorneys decided nothing was amiss but that we should unwind the transactions that I had questioned because the optics
weren’t good and they are a distraction from core business.” Not being able to conceal their wrongdoings, Enron filed for bankruptcy on December 2, 2001. Costing thousands of employees jobs, salaries, and retirement savings, along with shareholders’ large sums of money, top executives walked away with excess cash. These actions, clearly classified as a white-collar crime, were only brought to light by one female in the company, Sherron Watkins. Rather than use her high ranking position as a means to be involved in illegal activities and financial gain, she served as the whistleblower. Although the word has a negative connotation, a whistleblower is a person who exposes the secretive or illegal activity being done by a person or organization. Unfortunately, the result in this case did cost individuals jobs and money, but the loss incurred would have amounted to much more had Sherron Watkins not taken a stand against the white-collar crime she was experiencing.

Conclusion and Discussion

White-collar crime is not necessarily a gender based issue. When examined closely however, there are several differences between males and females in relation to corporate crime. The much larger percentage of male involvement in white-collar crime can be attributed to the larger numbers of men in the business workforce, but also the strong masculine dynamic of the corporate workplace. With greater power to influence others, men can more easily influence other males and females, especially females of low ranking positions who easily adopt this behavior to fit in, to assist them or become involved in white-collar crimes. The fundamental male atmosphere forces many women of low ranking positions to adhere to those behaviors in order to prove they can work alongside their male counterparts. The larger percentage of men involved is also in part due to the fact they do not as strongly as women require a psychological excuse making mechanism before committing corporate crime. Before engaging in dishonest
behavior, women more often than men, seek to justify or rationalize their actions. Much of the justification for female involvement in white-collar crime was due to familial financial needs, which women considered to be rational. Men do not as commonly seek to rationalize their actions and may be quicker to commit a white-collar crime without first considering validation or the consequences. A major gendered difference is the actual type of white-collar crime committed by each gender. Stressing once again the masculine atmosphere of corporate settings, women are more likely to commit less severe white-collar crimes because of differences in company positions. Most women are not on an executive board or in a position significant enough for dishonest actions to qualify as serious white-collar crimes.

While females in non-leadership or low ranking positions can be easily influenced to conform to activities occurring in the workplace, females in high ranking and executive board positions have displayed characteristics that clearly distinguish them. Female presence at the top level of a business has shown a decrease in financial restatements and risk, and an increase in corporate social responsibility and firm value. Increasing corporate social responsibility increases social accountability, encouraging more ethical decisions. Females should not replace men, but rather work alongside them to create diverse workplaces where everyone is represented. The more gender diverse a board is, the more skills, knowledge, and perspectives are available when consulting and making business decisions. While a company’s financial position and ranking is one of the major measures of success, a successful company cannot operate when illegalities are occurring. Female board directors encourage an open and transparent workplace with increased communication. In such an environment, there is more emphasis on operating ethically. With emphasis on ethicality, rather than strict financial targets, there is less of a temptation to manipulate financial statements.
References


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