

# High 'emotional sensitivity' found to cause accounting fraud

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New research

(<http://discovery.rsm.nl/articles/detail/224-how-the-brains-sensitivity-for-emotions-causes-accounting-fraud/>) from the Rotterdam School of Management, Erasmus University (RSM) has found that accounting fraud can be linked to a certain neurological make-up in those responsible for financial reporting.

By studying financial controllers' brain activity, Professor Frank Hartmann found that those who were more highly sensitive to others' emotions were more likely to misreport financial information.

To find out how brain function affects financial reporting, Hartmann first measured the natural responsiveness of the mirror neuron system in the brains of financial controllers by showing them clips of people exhibiting various facial expressions.

The participants were then asked to judge several scenarios in which a manager tries to alter the financial reporting by either telling the financial controller it was for their own personal interests, or by asking the financial controller to change the reporting to benefit the organisation.

The results showed that people with a very responsive mirror neuron system were more likely to agree to a manager's suggestions when the manager stated they would personally benefit from it.

Professor Hartmann says,

"Managers are often guilty of pressuring their controllers to manipulate financial reporting because of personal interests such as securing a promotion or a bonus, or avoiding being fired. This type of pressure is hard to resist by some controllers because of their neurological characteristics.

The findings of this study question the wisdom of an industry-wide call for more socially competent financial controllers that function in close co-operation with their managers. Rather, the study makes a case for the often-loathed stereotype of the accountancy professional as a 'cold and aloof' character. Having these unsociable characteristics might actually be beneficial because such people respond less readily to inappropriate social pressure."

He adds, "Some people are neurologically less well suited to being financial controllers and this cannot be countered by new rules or appeals for ethical behaviour."

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Rotterdam School of Management, Erasmus University (RSM) is one of Europe's leading business schools, and ranked among the top three for research. RSM provides ground-breaking research and education furthering excellence in all aspects of management and is based in the international port city of Rotterdam – a vital nexus of business, logistics and trade. RSM's primary focus is on developing business leaders with international careers who carry their innovative mindset into a sustainable future thanks to a first-class range of bachelor, master, MBA, PhD and executive programmes. RSM also has offices in Chengdu, China, and Taipei, Taiwan. [www.rsm.nl](http://www.rsm.nl)