

# employer toolkit

a guide to competencies

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## Introduction

**These toolkits offer basic knowledge and simple-to-follow guidance on human capital management (HCM) issues relevant to the finance professional.**

Developed by ACCA, each toolkit provides impartial guidance – specifically designed for employers of finance professionals – and includes:

- introductory-level knowledge on the subject matter
- a brief case study for illustration
- a checklist and troubleshooting section
- suggestions for further research.

Use the toolkits when developing new or improving existing HCM practices for finance professionals or when beginning a process for benchmarking against best practice. There is no need to read each toolkit from start to finish – the sections are written to be used on a stand-alone basis when required.

Each toolkit can be distributed electronically within your organisation – download them as PDFs at:

[http://www.accaglobal.com/employers/approved/services/employer\\_toolkits](http://www.accaglobal.com/employers/approved/services/employer_toolkits)

### **Making use of competencies**

This mini-toolkit provides all you need to start making use of competencies in your organisation:

- step-by-step guidance on the uses of competencies for finance professionals
- an example case study to help you build the case for change and gain buy-in
- a checklist to begin a benchmarking process against best practice
- a handy troubleshooting section.

The actions you will be able to take as a result of what you learn are aimed at encouraging the best from your people and will have a direct impact on your bottom line.

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# Competencies

The use of defined competencies is a vital part of any organisation's human capital management strategy. Not only do they allow you to measure and report on your people, but, when arranged in a structured competency framework, they also provide the link between business objectives and your HR policies and practices. They can even help with employee motivation.

A competency framework is a set of measurable performance criteria, within which 'competencies' describe *how* an employee carries out their work; they are based on *behaviours*. The framework helps ensure that your people are working with a common purpose, all pulling in the same direction.

## Definitions

There is a distinction between what HR professionals refer to as *competences* and *competencies*. This is not something for finance managers to get too fixated on, as the terms are often used interchangeably. Nonetheless, the following definitions are generally agreed.

- **Competence** (s) – ability based on work tasks; what a person has to do in their job, eg the task of performing a bank reconciliation.
- **Competency** (ies) – ability based on behaviour; how a person does their job, eg the use of industry knowledge to enhance business performance.

In other words, there are work-based competences (eg technical accounting skills) required to *do* the job, and behaviour-based competencies (eg interpersonal skills or attitudes) that contribute to effective job *performance*.

Until recently, many professional qualifications focused almost exclusively on development of technical skills. Today, by contrast, ACCA's practical experience requirements and ethics learning tools acknowledge the equal importance of behaviour-based competencies.

This toolkit focuses on the use of *competencies*. Competencies are based on observable behaviours. It is by observing behavioural indicators that we can determine whether a competency has been achieved.

Competencies are often arranged by organisations into a competency framework that describes the competencies required for individuals to perform well.

## Competency frameworks

Competency frameworks can be developed to cover all roles in an organisation. In practice, however, these tend to be large, unwieldy and difficult to update. In some larger organisations, several competency frameworks will be developed for distinct functional areas such as HR, finance and sales.

It is useful to develop a framework specifically for the finance function. Even with multiple levels for different roles, it is still possible to produce such a framework and keep it simple to use and update.

The foundation of all competency frameworks is behaviour. Competencies and competency 'clusters' are built up from specific behaviours.

Frameworks comprise the following components.

1. **Behaviours/behavioural indicators** – eg 'Encourages the sharing of experiences to improve performance'. These are the observable, and therefore measurable, building blocks. Often, a number of behaviours will need to be demonstrated in order to satisfy the requirement for a single competency. Behaviours are flexible and not tied to one job; therefore, they can be used to demonstrate evidence for multiple competencies and multiple roles.
2. **Competencies** – eg 'Focus on quality and consistent improvement'. These describe the key competencies required for performance. Not all roles will require

all competencies. Competencies are often divided into levels and applied according to the individual's role.

mission and values of your organisation. When applied to a finance competency framework, they can demonstrate how the activity of the finance function helps support organisational objectives.

**3. Competency clusters** – eg 'Grows business capability'. These are themed groupings of competencies and can be worded to reflect the

Below is an extract from the KPMG competency framework, which is a good example of best practice.

#### **Business Focus (extract)**

Identifies and pursues business opportunities. Understands and explains the commercial context and processes of KPMG, (internal or external) clients, markets and the external environment. Builds awareness of your firm's strategy, financial targets and risk guidelines, and operates within these parameters.

##### **Senior Associate/Senior Team Member**

- Learns about the latest trends in KPMG's market, including competitor activity
- Identifies possible business opportunities and advises manager or partner

##### **Senior Manager**

- Uses research into client businesses (the issues they face, the state of markets, key developments) to initiate new service and product offerings to clients
- Finds opportunities to build future work from existing client engagements
- Identifies and acts upon business opportunities
- Calculates the risks involved in different commercial decisions or activities even if the risk is not taking them
- Develops productive relationships that bring in business

##### **Partner**

- Implements strategies to target and secure business opportunities
- Makes decisions based on a broad view of the external political, economic and legislative environment
- Develops long-term focused plans to maximise commercial success and updates them to capitalise on developments
- Seizes opportunities to extend breadth and depth of service
- Focuses upon activities that will deliver the greatest long-term return
- Monitors and manages the achievement of short-term revenue opportunities

### How to develop a competency framework

Examples of competency frameworks are available on the Internet or in library resources. These tend to be either fairly generic or actual examples from organisations. While these are useful for reference, it is better to invest time and resources on developing your own framework, taking into account your particular organisational context.

Whether you design your framework from scratch or adapt an existing framework, with or without external help, you will have to:

- collect and analyse data
- draft the competence framework
- revise and finalise
- publish, promote and use
- maintain and update.

You will need to:

- involve end users in its development to enhance acceptance and use
- communicate to keep people informed about what is happening and why
- make it relevant to the users.

Additionally, key design considerations include the need to:

- expect the framework to change over time
- make sure behavioural indicators do not overlap
- ensure it is fair to all stakeholders
- focus only on necessary and appropriate behaviours (for effective performance)
- aim for around 8–12 carefully selected competencies
- keep it clear and easy to understand.

### Pros and cons of using competencies and competency frameworks

Competency frameworks are becoming increasingly popular, not least for their many practical applications (see next section). Nonetheless, there are issues to be aware of when building the business case for developing a framework for your finance function (see table opposite).

### Practical uses of competency frameworks

An advantage of using competencies – typically arranged in a competency framework – is that they can bring together a number of the finance team's activities using a common language and frame of reference. You can use them throughout the employee lifecycle to support activities such as recruitment, performance management, learning and development, promotion and succession planning. These benefits can be extended through commonality with other functions within your organisation – particularly those that may offer future career paths to those currently within the finance team.

### Recruitment

Competencies can be used to assist the selection and assessment processes. Essential competencies and desirable competencies can be identified for roles. When more than one candidate demonstrates the essential competencies, the desirable competencies can be used as differentiators. As competencies are demonstrated by a distinct set of behavioural indicators, it is possible to perform *competency-based interviews*, in which applicants are asked to say where they have demonstrated key behaviours in the past.

So, for instance, if you are recruiting a credit controller and want someone who will not only perform the basic tasks but will also use their initiative to add real value to the role, you may look for examples of where candidates have devised and implemented ideas in

Pros	Cons
Clear link between personal and organisational objectives	Can get too big and clumsy to operate effectively – unless realistic limits are placed on number of competencies
Employees and managers have a framework within which to operate	Can be difficult to keep up to date, unless reviewed regularly (eg annually)
Can support and align several HR applications across the employee lifecycle	Focus is on <i>inputs</i> – needs to be balanced by setting objectives that allow outputs to be measured
Useful to demonstrate to individuals and managers potential upward and lateral moves (and the requirements/pre-conditions of these)	Competencies are based on the behaviours that have been successful in the past – these may not reflect the current reality in a rapidly changing business environment (especially as finance functions become increasingly involved in non-finance issues)
Offers line managers a structure within which to undertake recruitment, performance management and development, consistently and objectively	Some competencies are essentially personality traits – employees may be unable or unwilling to develop these (care needs to be taken to avoid potential disputes, eg allegations of discrimination)
Can help to align HR practices across departments, business units or locations; can assist post-merger integration	An organisation's required competencies can conflict with professional obligations (eg business focus vs objectivity/ethics)

previous roles (eg initiating projects to reduce debtor days or eliminate aged debtors).

Nonetheless, it is inadvisable to rely exclusively on interviews – they should ideally be used alongside other methods of assessment, such as references, screening, work samples, simulation and tests (including psychometrics). Many of these can be devised to help identify candidates with the required competencies.

Competencies can also be used when attracting applicants for a position. They can help you to focus on the skills and experience required when creating

the advertisement for the vacancy. In particular, as the use of competency-based interviews increases, jobhunters are less likely to apply for a position (and therefore, waste your or your HR colleagues' time) if they think they will be 'found out' at a later stage of the application process. This is especially useful for positions where job titles may mean different things in different finance functions.

A key advantage of using competencies at the selection stage is the early identification of potential skills gaps. These can then be addressed through induction and training programmes.

### Performance management

Competencies are used as the basis of many performance management systems. They are a useful means of establishing current levels of performance, identifying opportunities for performance improvement and potential for career development. They can also be used to support discussions around career interests and future direction.

The use of competencies for performance management can also be an incredibly motivating factor – and not just for ambitious part-qualified and qualified employees. Focusing on competencies at appraisals underlines to more junior or clerical team members – perhaps including those who have no aspirations to pursue professional finance qualifications but who nevertheless carry out important roles – that their input is valued and their job taken seriously. In fact, anecdotal evidence suggests that latent ambition is often uncovered when, for the first time, competencies are explored as part of performance management. It should be remembered that, in a climate of desperate skill shortages, employers cannot afford to lose good people – and neither can they afford to ignore opportunities to identify and tap into hidden potential.

Where competencies are used for performance management, the acquisition of competencies, along with other factors, can be linked to pay rises or bonus payments (often referred to as *competency-related pay*).

### Reorganisations and team-building

Managers find competency frameworks a useful tool when organisations or teams merge and when new teams are created. This is particularly useful (indeed, crucial), where, within the enlarged team, new colleagues share job titles but not responsibilities. For instance, a management accounts assistant in a team of 20 may have significantly fewer tasks to perform

– or less activity to account for – than one coming from a team of four or five, where functions such as payroll or sales ledger may be tagged on, regardless of the job title. By determining the required competencies first, teams can be re-designed and populated by careful selection of individuals, with new job titles designated and explained clearly. Where competencies are lacking (in part or in whole), these gaps can be filled by additional recruitment or by provision of a development programme for existing team members.

It should be remembered, however, that other factors, including internal politics, personalities and individual preferences and work styles, will also have an impact on the team's effectiveness and should also be taken into account – carefully.

### Learning and development

Competency frameworks provide examples of effective behaviour. These behaviours can be used throughout the learning and development cycle to:

- benchmark performance when identifying development needs
- design and select activities that develop these behaviours
- evaluate the success of development plans and programmes.

Competency results from applying several techniques with appropriate attitudes, values, abilities and knowledge. For example, a manager who wishes to develop the competency of 'Team Leading' may develop skills, such as ability to give effective feedback, by participating in a course or workshop. To achieve this competency, the manager will probably need to have an interest in people and be able to motivate them and understand their needs. These aspects of competency are less likely to be achieved through traditional training methods such as structured courses.

A competency framework can help here, as it encourages people not simply to look for a course but also to seek out other development opportunities to satisfy their needs. These might include shadowing, project work or finding a suitable mentor.

For learning and development, competencies can be used to assist with:

- training needs analysis (TNA)
- programme design
- event & content design
- event & content sourcing
- training evaluation.

### Career development and management

Competency frameworks can support your employees in achieving their development goals by making it clear to them what is required to perform certain roles or achieve a particular level in the organisation. Also, as competencies are not narrowly focused on technical skills or abilities, they can be used to identify those suitable for lateral moves within an organisation – or even for alternative careers. And as today's finance professionals increasingly find themselves working alongside colleagues in functions as diverse as HR, training, IT, payroll, sales and business development, their eyes are open to opportunities far beyond accountancy. Common and transparent competencies will help them understand whether possible career paths are realistic and achievable – and can therefore assist with your organisation's retention efforts.

Offering career development support of this kind may help to get the right people into the right jobs and consequently enhance retention. Of course, some people will leave but it is perhaps better for your employer brand that they leave after a positive development experience rather than remaining in a role or on a career path to which they are not fully committed.

### Key learning points

- Competency refers to ability based on behaviour – how a person does their job, eg using their industry knowledge to enhance business performance.
- Competencies can be arranged into a competency framework that describes the competencies required for individuals to perform effectively.
- Competency frameworks can be made up of specific individual behaviours, key competencies and 'themed' competency clusters.
- Competencies can be used to help with:
  - recruitment – minimising timewasters and helping to build effective inductions
  - performance management – identifying training needs, motivating employees and identifying latent potential
  - reorganisations – harmonising teams, restructuring to get the best out of each individual, identifying skill gaps, offering internal opportunities
  - learning and development – benchmarking performance, developing programmes, promoting non-traditional development activities
  - career management – helping retain skilled people
  - promotion and succession planning – facilitating the right decisions and making the rationale behind those decisions more transparent.

### **Promotion and succession planning**

From the organisational perspective, competency frameworks are a transparent and flexible means of managing the promotion of employees and, for employees with high potential, succession planning. Qualified accountants are increasingly responsible for the stewardship of organisations, and those with aspirations to become business leaders need to know the competencies required. More importantly, executive boards and senior management must have a clear understanding not just of what they expect of those coming through the ranks but also of how those very same people measure up to the required competencies.

Promotion and succession planning can be open to suspicion and criticism. By basing decisions – at least in part – on published performance criteria (the competency framework), decisions made can be more easily justified and employees can better understand and emulate those behaviours that are valued by the organisation and that will help them to be successful.

### Example case study: issues and solutions

#### The problem

Azmin Ali has recently been headhunted in as a finance director, overseeing a team of 16 people. Four months before his appointment, the company acquired a much smaller organisation, in the process inheriting three accounts staff. His predecessor had left before the acquisition, and for the intervening period, the 'team' has trundled along under the supervision of a finance manager with no professional qualifications who has been with the company for 14 years. Two competent part-qualified accountants have left and one recently qualified individual, Peter, is known to be out on interview with rival firms. The team is behind schedule on a number of important projects, including implementation of a new system that will help integrate the accounts and payroll for the two organisations. Arguments over who is responsible for various duties break out frequently and hostility is rife.

#### The analysis

Within a week of joining, Azmin learns that another acquisition is imminent. He calls in Peter and gently asks him about his alleged attendance at interviews. Peter does not want to leave – and in fact sees the recent acquisition as an opportunity for himself – but it transpires that many of the team – from both organisations – have job titles (and salaries) at odds with their actual responsibilities, a situation that had been ignored by the previous FD. The team structure is based on an ancient organogram, drawn up when there were only six people in finance.

#### The investigation

Although the company has no formal HR function, Sue, an administration manager on the payroll of the recently acquired organisation, is a qualified member of the Chartered Institute of Personnel and Development, and keen to put her qualifications to good use.

Together, Azmin and Sue review what paperwork can be retrieved for each member of the team, and make the following discoveries.

- Where job descriptions exist, these focus purely on duties – and not on the skills or experience required to carry them out.
- Job advertisements promise 'structured career paths' and 'regular appraisals' – yet only five of the staff have had appraisals in the last two years.
- Appraisals have focused on how 'happy' employees are, including issues such as relations with colleagues, where certain individuals sit in the office, and plans for car parking space to be provided.
- Work-related discussions have been confined mainly to admonishments for not being quick, efficient, accurate, 'switched-on' or sharp enough – but no standard is set and no remedial action is apparent.
- There are several instances of two people being on similar packages but with vast differences in responsibility.

A few choice discussions with selected members of the team confirm to Azmin and Sue that the team has been assembled in a haphazard way, with little long-term thinking or regard for the skill needed (a) to perform individual tasks effectively, or (b) to work as a cohesive team – even before the last acquisition.

#### The action

Azmin asks Sue to bring in a respected recruitment consultant who is also a qualified HR manager with experience of competency frameworks. Azmin and Peter set aside an initial day – away from the office – to analyse the needs of the finance function, from the perspective of meeting the organisation's objectives (including the imminent acquisition) by ensuring the team is equipped with the right people and skills. They are then able to sit down with Sue's consultant to start drafting a comprehensive competency framework.

## Does it work?

Meanwhile, Sue communicates to the team that a restructuring is underway – one that (on Azmin's reckoning) is likely to create a number of opportunities for existing staff and brand new vacancies – and calls for updated CVs as well as individual review meetings. The response from the team is largely positive, bar a few expected grumbles.

### **The results**

Much reshuffling was needed – not all of it to the liking of each member of the team – however, three months later, headcount for finance is now at 21. Three promotions have been announced, including Peter's appointment as financial controller, while Sue is now the company's HR manager, reporting to Azmin. Her HR assistant is a business graduate who 'fell' into the role of accounts assistant with the company a number of months ago but who really wanted a more people-focused role. Three members of the team have embarked on CAT studies.

Recruitment activity has naturally been busy but as far as Azmin is concerned, good people are coming on board – advertisements are attracting the right kind of people and interviews have been pleasingly relevant and punchy.

The anticipated acquisition is on the back burner for the moment – but with a solid, well-structured team in place, Azmin is confident that integration will present far less of a headache.

## Have you got what you need?

### Basic guidance checklist

Assess the design, development and utilisation of an existing competency framework against the best-practice criteria below.

For each criterion, tick the first column, if currently in place; tick and date the second column, if planned but not yet implemented; or tick the last column, if there are no plans to implement.

Review the checklist and determine where resources can be most effectively allocated for enhancements to current practice.

To avoid subjectivity, also ask a colleague or colleagues to complete the checklist.

Criteria	Currently in place? (tick for yes)	Planned for? (tick & date)	No Plans? (tick for yes)
<b>Design and Development</b>	Are users involved in the development of the framework?		
	Is the framework: <ul style="list-style-type: none"> <li>• Relevant</li> <li>• Clear</li> <li>• Fair</li> </ul>		
	Does the framework cover all roles in the team/department/organisation?		
	Are competencies described by defined behavioural indicators? (Are these listed?)		
	Are competencies separated into different employee levels (with appropriate behavioural indicators)?		
	Are the competencies generic/flexible enough to require only infrequent updating?		
	Are the purpose, uses and benefits of the framework communicated effectively and frequently to employees?		
<b>Utilisation</b>	Is the competency framework used to support: <ul style="list-style-type: none"> <li>• performance management</li> <li>• reorganisations and team building</li> <li>• learning and development</li> <li>• career development and management</li> <li>• promotion and succession planning?</li> </ul>		
	Competency frameworks focus on <i>inputs</i> . Is this balanced with effective objective setting and measurement of <i>outputs</i> ?		

## Troubleshooting

### Common problems and suggested solutions

This table outlines common problems related to the use of competencies and suggests remedial actions.

Problem	Action
Confusion between requirements related to the performance of tasks and those linked to behaviour, such as 'exhibiting a positive mindset'	<ul style="list-style-type: none"> <li>Define the specific functions of the job – ie those that would be listed in a job description, eg 'chase outstanding cheques for signature'.</li> <li>Ask yourself about the kind of person who would be good at these tasks – what qualities or characteristics might they exhibit? Initiative to identify who needs chasing? Confidence to deal with more senior colleagues?</li> </ul>
Organisational competency frameworks are too inaccessible or written in 'HR speak'	<ul style="list-style-type: none"> <li>Competency frameworks need to be relevant to, and understood by, you and your finance team – if adapting an existing framework, then ruthlessly edit vocabulary and replace any examples with finance situations/tasks (it may be easier to start afresh).</li> </ul>
Employees are wary of talk of competency frameworks and fearful it will lead to changes in status or even job losses	<ul style="list-style-type: none"> <li>Communicate the rationale and explain the benefits – in terms of more relevant performance appraisals (or indeed, their introduction), more transparent career paths, even competency-based bonuses or pay rises (if relevant).</li> <li>Involve the team – use as opportunity for informal meetings ('appraisals in disguise') to get to know individuals better, identifying underperformers with potential.</li> </ul>
Competency framework appears out of date	<ul style="list-style-type: none"> <li>Recognise that 'relevance' has a shelf life – finance team needs continually evolve, depending on factors such as organisational objectives, business cycles, the economy and regulatory requirements – set an annual review and include key senior management stakeholders.</li> </ul>
Certain individuals' competencies seem out of step with finance team needs	<ul style="list-style-type: none"> <li>Competencies relate to the postholder – not to individuals – it is easy to make the mistake of listing the competencies of the person currently doing a job. Instead, consider what is required to do that job well. It may be that the wrong person is in the job.</li> </ul>
Competencies (and commensurate benefits and status) are disparate across company functions, causing employee unrest and allegations of unfairness	<ul style="list-style-type: none"> <li>Wherever possible, try to align competencies so that, for instance, 'managers' and 'senior managers' in one team are required to exhibit broadly similar competencies to their counterparts in another. This is not always possible (eg an office manager who is effectively a senior secretary is unlikely to be on the same grade as an audit manager); a certain amount of discretion and common sense will always be required.</li> </ul>

## Next steps

### ACCA services

ACCA offers a range of resources for finance professionals and managers of finance professionals. For more information, please visit the Employer section of the ACCA website:

<http://www.accaglobal.com/employers/approved/services>

### Suggested further reading

Boyatzis, R.E. (1982), *The Competent Manager: A Model for Effective Performance* (London: Wiley). *This book introduced the concept of competencies and remains a good starting point for further research.*

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Prahalad, C.K. and Hamel, G. (1990), 'The Core Competence of the Organisation'. *Harvard Business Review*, Vol. 68, May–June 1990, 57–69. *A highly regarded article and good starting point for exploring organisational competence.*

Warner, J. (2006), 'UBS's Online Performance Management System Contributes to Business Integration', *Competency and Emotional Intelligence*, Vol. 14, No. 1, Autumn 2006, 5–8. *A clear description of the practical applications of competencies. Includes extracts from UBS's framework.*

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Whiddett, S. and Hollyforde, S. (2003), *A Practical Guide to Competencies: How to Enhance Individual and Organisational Performance*, (London: CIPD).

