

2. THE COMPETENCIES REQUIRED OF FINANCE PROFESSIONALS

As we have seen in Section 1, finance’s increasing focus on value creation and a higher level of business collaboration and partnering are achieved through the activities finance professionals carry out as part of their duties. How then does the split between more traditional technical activities and more business facing ones change as the finance organisation develops the collaborator and business partnering role?

In this report we shall concentrate first on identifying the activities that feed the need for specific business and technical skills and competencies as perceived by finance professionals themselves, and then contrast this with the perceptions of the senior non-finance managers who drive organisational strategy.

How the finance professional’s time is spent

Personal time allocation	
Finance professionals on average report the following as the principal areas in which their time is spent:	
24%	Management accounting and information analysis
20%	Management support and performance management
19%	Management support
16%	Other eg staff management and administration
11%	Accounting and management information systems
10%	Statutory and external financial reporting and specialist activities

However, the degree is highly dependent on organisational location.

- Further analysis shows that members of a centralised finance team spend a higher proportion of their time on accounting operations and management accounting (46.6%) than do those in decentralised roles (32%).

However, this is still an appreciable proportion of time being spent in these areas for the integrated professional. The CIMA view here suggests that as large organisations enjoy economies of scale they can process and report more efficiently. However, these organisations also become more complex to manage and need the management accountant’s support to provide better insight for decision making and help manage risk and performance.

The time spent on particular activities provides some measure of their importance to the individual who undertakes them; however, this does not necessarily accord with their importance to the organisation’s achievement of its objectives. This relationship is therefore critical in understanding finance effectiveness and also in both identifying and rating the skills and competencies required.

Time spent on activities and their importance to meeting organisational goals

Figure 2.1 shows how respondents ranked a range of activities or issues in terms of how important they felt these were to their organisation’s success.

We can see that many of the top ranking activities by importance (communication, presentation, business advice, interpretation and so on) are those we would

expect to see in a function with an orientation towards the business. These are activities which require business competencies.

In order to better illustrate the competencies required and their importance we have colour coded these activities or issues under broad headings which relate to the following role types:

- strategic and advisory
- regulation and governance
- management accounting, information and advice
- financial accounting
- systems
- other (managing staff etc).

These role types and the principal activities associated with them are listed together in Table 2.1 (over) but we can see each of these activities or issues and its importance here in Figure 2.1.

The colour coding in Figure 2.1 highlights that finance is a team game requiring people with the competencies to fill a broad portfolio of roles:

- strategic and advisory or ‘business partnering’ roles are obviously important
- people management is ranked as the most important activity
- the preparation and communication of management information are key roles
- financial accounting and systems roles are clearly important too.

FIGURE 2.1: Importance of activities and issues to an organisation’s success

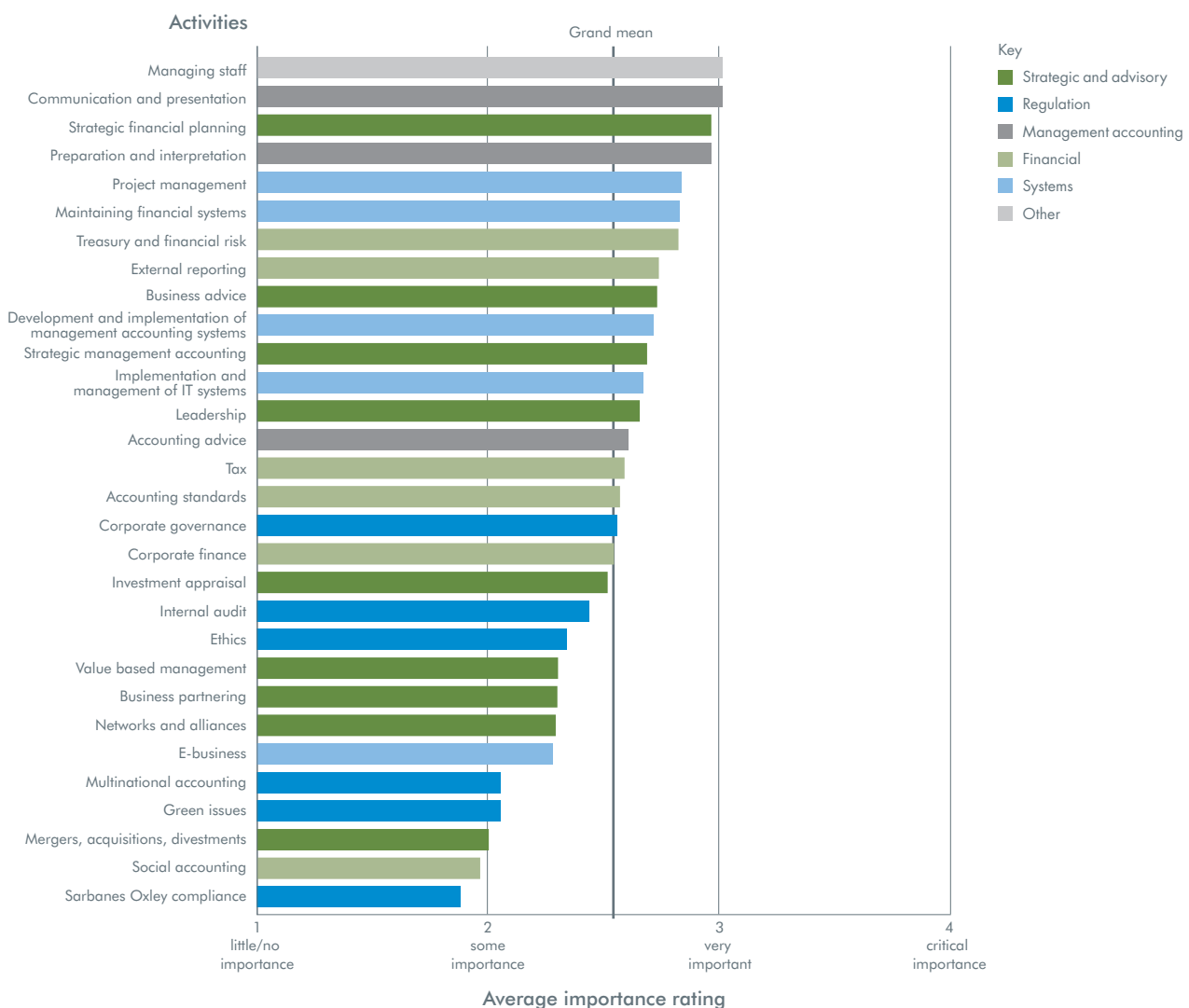


TABLE 2.1: Role types and principal associated activities

Role type	Principal associated activities
Strategic and advisory	<ul style="list-style-type: none"> • Business leadership, advice and partnering • Strategic techniques (financial planning, strategic management accounting etc) • Strategic relationships (networks and alliances; mergers, acquisitions and disposals)
Financial	<ul style="list-style-type: none"> • Finance (corporate finance, treasury) • External reporting (including accounting standards) • Tax
Management accounting	<ul style="list-style-type: none"> • Preparation and communication of management accounting information • Accounting advice
Regulation	<ul style="list-style-type: none"> • Ethics and governance • Internal audit • Sarbanes Oxley and multinational accounting • Green issues
Systems	<ul style="list-style-type: none"> • Information technology • Financial and management accounting systems • e-business

Business and technical competencies

The term ‘business competency’ embraces a range of broadly business or commercial-oriented skills (Table 2.2). ‘Technical competency’ encompasses two distinct skills (Table 2.3).

There is not a total divide between business competency on the one hand and technical competency on the other. Change management and risk management skills for example both represent an ‘intermediate’ competency.

Despite the complexity and specialism of technical competency, what is interesting is that finance professionals attach greater importance to general business competencies above traditional technical skills in accounting and IT. This is true whether or not the individual finance professional is acting in a business partnering role (Figure 2.2).

Thus overall it is communication, problem-solving, business and interpersonal skills that are all regarded as being very important (though not critical) by a finance professional, while technical accounting and IT skills are viewed as being no more than important.

This certainly is reinforced by the activities that are rated as most important within the finance organisation as we saw earlier in Figure 2.1. Here we saw communication, presentation, interpretation and business advice activities rated very highly. It therefore appears that finance see the areas for improvement and development aligned with the activities that are deemed as most important for the function to carry out.

It appears then that the finance professional takes the technical skills as a given and the base, while seeing business skills as significantly more important in their role. This is aligned to the rise in closer collaboration and partnering with the business that we see is a key trend for the finance organisation.

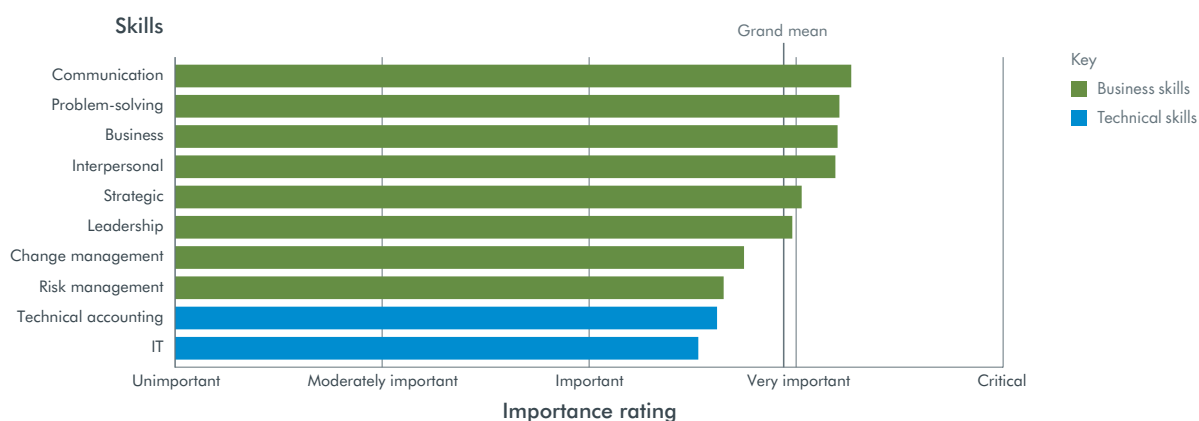
TABLE 2.2: Business competency

Interpersonal skills	Team-working, conflict management and influencing/negotiating
Business skills	Good understanding of the organisation’s objectives, operations, market environment and ethical issues
Leadership and project management skills	Leading others, managing resources and delegating effectively
Strategic agility	Flexibility and ‘thinking on your feet’
Communication skills	Written, oral and presentational skills, and communicating effectively with non-finance people
Problem-solving skills	Taking a critical and methodical approach when problem solving
Change management skills	Assessing and facilitating change
Risk management skills	Understanding the sources of risk, and evaluating risks and methods for their control and mitigation

TABLE 2.3: Technical competency

Accounting skills	Broad understanding of the technical issues and ability to keep up to date with new accounting rules and regulations
IT skills	Ability to keep up to date with new concepts, techniques, tools and technologies

FIGURE 2.2: Importance of skills to the finance professional



Competencies needed for different roles, duties and degrees of seniority

The importance of business and commercial skills within finance is noted across the full spectrum of finance roles, however there is a clear difference in the level of this importance for certain roles. While business competency is rated as more important overall by finance professionals, the exact skills needed for a particular role or set of duties sees the balance between business and technical competency shift subtly. We see that the mix of competencies required is very much dependant on the type of role.

Type of finance role

Each type of finance role has a different emphasis on the two main competencies, with a clear spectrum running from the strategic and advisory role (comparatively strong on business skills, less on technical) to the financial role (vice versa).

The need for technical competency is relatively weaker in the strategic and advisory role than that for business competency. But we see that for all the other four roles, management accounting, systems, regulation and financial, there is a relatively stronger need for technical competency.

As for business skills, while the need for these is relatively much stronger in the strategic and advisory

role type, it is slightly weaker for all the others – notably in the regulation and financial role types. Thus the balance of competencies is very much role-dependant: each role type encompasses a portfolio of activities and a mix of competencies and skills is needed for each.

Interestingly while technical competency is slightly more important for the management accounting role type than business skills, this is the role where there is the closest balance in the need for both types of competency (Figure 2.3).

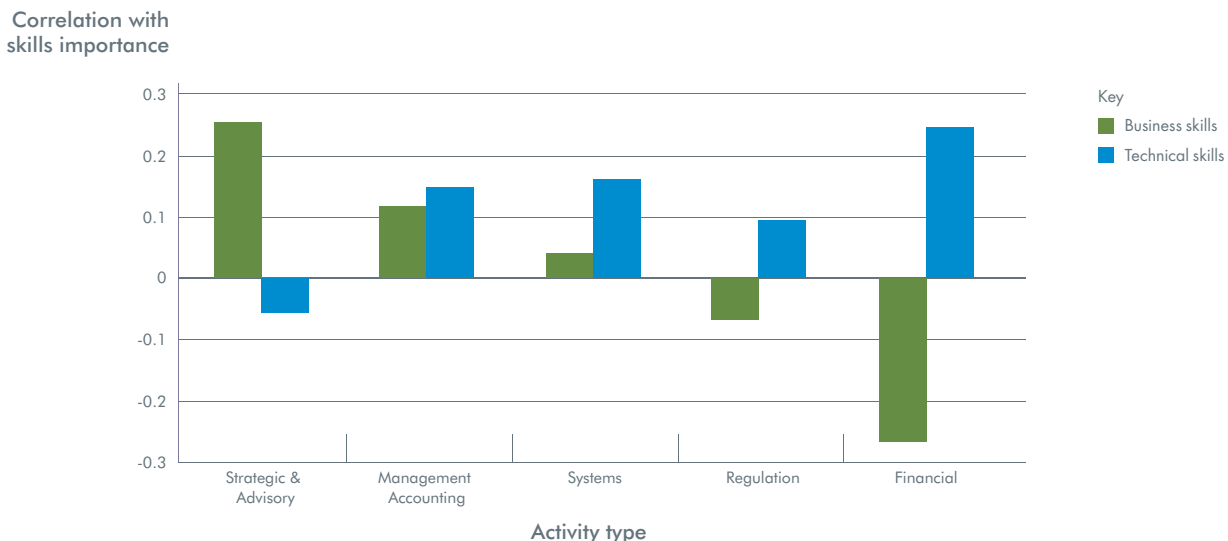
As we will see later, it is this balance of skills that are evident in the management accounting role that are also identified as those required for finance leadership. This therefore provides an opportunity for the Chartered Global Management Accountant to advance in their careers.

Type of duty – back office versus front office duties

Rather than concentrating on types of role, we can distinguish between finance professionals on the basis of whether they have ‘back office’ duties (general and specialist finance/accounting) or ‘front office’ duties (providing finance/accounting support to operating units, and also actually being part of these units).

This analysis shows that business skills are seen as increasingly important by finance professionals as they move from back office duties with the lowest

FIGURE 2.3: Correlation between role types and skills



business orientation (general finance/accounting) to those with the greatest, where individuals see their work as directly relating to other functions/units.

Thus the balance of competencies is duty-dependant as well as role-dependant.

Level of seniority

As one would expect, the technical/business competency balance is also affected by the finance professional's degree of seniority. Both types of competency are relatively much more important for senior than for non-senior finance role groups. Also as one would expect, business competency is very important for non-finance personnel while skills in accounting and IT are relatively less important.

It is interesting to note here again that the other area where the research saw an almost balanced need for both types of business and technical competency was in the management accounting role. One interpretation suggests that since senior finance roles and management accounting roles both require the closest balance of these skills, it is the management accounting role that offers a good or the best preparation for developing senior finance professionals.

Size of organisation

In SME organisations finance professionals are generally in short supply and so their primary value to the organisation is in exercising their technical skills.

In large organisations, they may specialise greatly in terms of the technical skills they employ but there is also greater demand for them to make use of more business-oriented skills in performing their duties. These are more likely to involve front office duties and collaboration/business partnering roles.

The declining importance of technical skills in large organisations, as perceived by finance professionals, reflects a decline in the relative importance of the financial and regulation roles in such organisations. This reinforces the need and demand from the organisation for more business skills.

Competencies needed for increasing levels of business partnering

With the increased level of collaboration and business partnering that has been driven by finance transformation, it is not unexpected to find that finance professionals perceive the need to rely more on the exercise of business competency. In addition, however, we see that the need for technical competency also increases in importance as business partnering increases.

As such, business competency does not supplant technical skills with increasing levels of business partnering and collaboration. Instead we see they increase in importance at about the same rate.

The idea therefore that finance roles involved in closer collaboration with the business, such as business partners, need to have a sole or greater focus on the business and softer skills with less requirement for technical accounting skills is not supported. Finance technical skills are still as important, reinforcing again the need for an interplay and a balance of both competencies.

The customer view – how non-finance management view the competencies of finance professionals

So far we have considered the perceptions of finance professionals themselves in relation to the two types of competency that they exercise. The view of non-finance management (shown in Figure 2.4), finance’s customers, is a little different however.

Overall management outside finance attach a much greater importance to the technical accounting skills – they dominate all others.

Non-finance management appear to consider these as the core value skills that finance professionals bring to an organisation. It is interesting that while considered important, these were rated almost least important by finance professionals themselves. There is, however, consensus between finance professionals and non-finance personnel regarding the relatively high importance of communication, problem-solving and interpersonal skills.

Finance professionals take their technical competency for granted and concentrate on the development of business competency which is perhaps more of a challenge but which is also a skill set they realise is becoming more of a requirement. At the same time they also see a need for a complex interplay of skills.

Non-finance management perceive clearly that it is technical skills that set finance professionals apart and that add greatest value to the organisation. However, while technical competency is deemed as critical, management recognise too that business

competency and commercial and management skill sets are important. Furthermore, this need for both technical and business skills extends across all finance roles as we have discussed before.

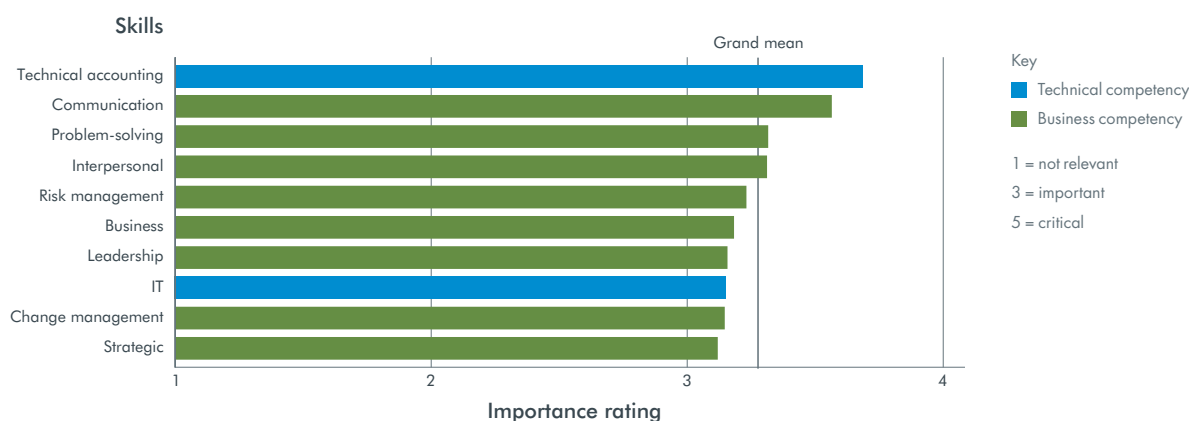
The importance placed on business competency by finance personnel together with the requirement from non-finance management for an interplay of both technical and business competency illustrate clearly the shift in collaboration within the organisation. With finance bridging the technical and business areas to become better value creators and supporting decision making.

This is supported by some of our consultations that point to the need for all finance professionals to have this mix; business partners require sound technical knowledge while the specialist roles (such as tax, treasury and reporting) equally need to develop business skills to interact better within the business and with other stakeholders.

A minority view is that there is still some way to go for finance functions to be open with non-finance people in the organisation about what they do and how they do it. This lack of openness perhaps contributes to the notion prevalent among non-finance management that business competency is less critical, simply because they are unaware of how important it is becoming within the finance function. The suggestion is that perhaps finance could be more transparent in this area.

Finance professionals’ strategic agility is felt to be very important by finance professionals but is seen as the least important of all their skills by non-finance management. Consultations clearly mark seniority as being a key factor here; in senior finance roles such strategic agility is acknowledged as critical.

FIGURE 2.4: Importance of finance professionals’ skills to non-finance management



The implications of these varying perceptions for the Chartered Global Management Accountant are two-fold: while there needs to be greater openness amongst them about what they do, how they do it and what value they bring, they may also need to place greater value themselves on their technical skills as it is these that are so highly rated by their non-finance colleagues and management.

Top five skills in most need of improvement by finance personnel – rated by senior management

Rank	Skill to improve
1.	Interpersonal
2.	Communication
3.	Strategic
4.	Technical
5.	Leadership

Skills development – the priorities

Where senior management were asked to rate the skills that most needed to be improved by finance professionals (as shown in Figure 2.5), there was no clear consensus about any particular areas although there was some emphasis on the need to improve interpersonal, communication and strategic agility skills. The areas ranked highest also help to further demonstrate the need for finance to work and communicate more and better with the organisation and input to the strategic and leadership areas.

It is these areas that finance’s customers are highlighting for action and improvement.

This highlights a real development challenge for existing finance professionals, and reinforces the need for these skills alongside technical competency for those wishing to enter and prosper in the finance field.

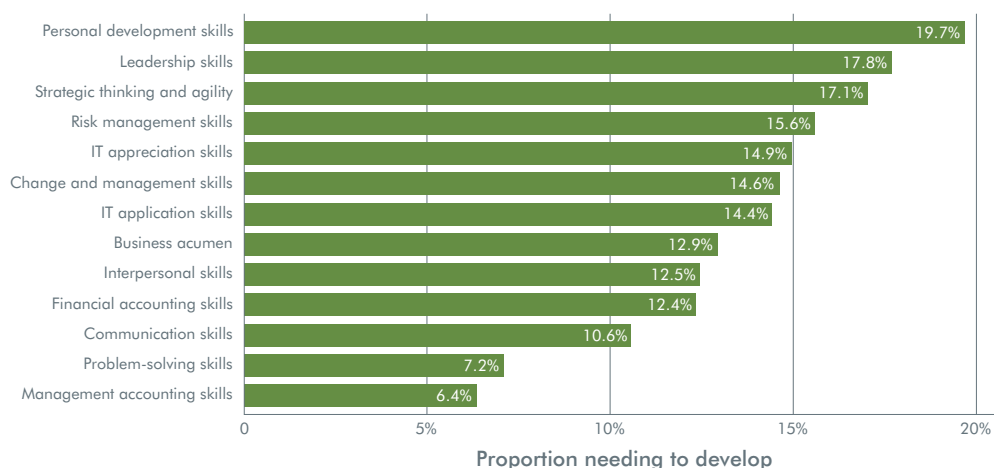
When we look at finance personnel, and the skills they identify as key to progress in their career we find similar skills listed for development.

- The more junior finance staff recognise that the business skills are key ones to develop in order to progress – so the prominence of ‘business skills’ is consistent with their association with more senior roles.
- The interpersonal skills are top-rated in terms of the need for development, possibly suggesting that a focus in personal engagement and motivation may have been neglected by finance staff and their employers.

As would be expected, non-senior finance personnel are more likely to indicate the need to develop skills. However, it is notable that this recognition also extends to technical skills. This suggests that the need to keep developing technical accounting skills is perceived to continue up to senior levels – career progression depends not just on the development of business and management skills.

This finding reinforces the notion of life-long learning as a key requirement of the profession and adds to the earlier findings that finance leadership roles continue to require technical financial and accounting skills.

FIGURE 2.5: Skill development needs for the finance professional



Summary and recommendations

The research, together with the consultations undertaken, highlight some interesting areas that would suggest calls to action for different stakeholder groups:

- For the person looking to start a career in finance, with ambitions to reach the senior tier, our analysis points to the need for a qualification that provides the technical core competence in finance but that also develops the management and commercial skill set.
- For the finance professional who is looking to ‘fast track’ and progress into senior roles, the types of skill that need to be built and developed are clear: technical expertise is there already and so the focus should be on communication, interpersonal and strategic skills. In addition they should pursue the roles and activities that aid their development towards senior positions, namely those categorised as management accounting or strategic and advisory roles.

Organisations planning the development of their finance functions and finance professionals need to integrate a healthy pipeline of suitable candidates to take on the roles of future finance leaders and drive value creation. The research would seem to suggest a variety of actions:

- Recruit people with professional finance qualifications that develop both technical finance competence and business and commercial skills.
- Train existing staff in a professional finance qualification to provide the technical competence.
- Develop career plans that are designed to expose staff to both the technical and the commercial and business skill sets; placements in one of the strategic and advisory and management accounting roles could be one way to achieve this.
- Ensure that there are learning and development opportunities in place to support finance professionals in developing the business and management skillset – in particular the areas to drive effective collaboration and decision support; as communication, interpersonal and strategic skills.

- Identify retention strategies and actively target these at those staff who have attained technical and business competencies and experience, since they are likely to form the finance senior team of the future. Some of this group will move outside finance into the organisation’s senior management roles.