

Financial Competency Improvement (FCI) Explained

by Jennifer Bean and Lascelles Hussey

What is financial competency?

We define financial competency as being a skill and an ability to undertake finance related activities to the level required in a particular job role. This immediately suggests that financial competency can be measured against clearly defined content and benchmarks that relate to a particular organisation or a specific undertaking.

The term finance covers a wide range of activity from preparing financial accounts through to managing budgets and taking strategic financial decisions. Other areas are also included under the finance umbrella, including purchasing, costing, business planning, and so on. Hence an individual will need to have a range of financial competencies.

Competency levels should be set in all the different areas of finance as required. These levels will be dependent on the ability of individuals to undertake finance activities to the prescribed standards set by an organisation, governing body, or an external monitoring agency.

Financial competency should now be a feature in the job role of all managers and staff that have financial responsibilities of any kind.

Why is financial competency important?

The answer to this can be found in the impact of poor financial competency:

- Budget overspends
- Fraud
- Financial targets missed
- No understanding of unit costs
- No understanding of accounting information
- Poor financial decision making
- Low scores in audit assessments

The list goes on, and the lack of financial competency has resulted in the collapse of many businesses and organisations.

Financial competency acts as both a preventative and developmental measure, leading to greater economy, effectiveness, and efficiency within an organisation, and allowing objectives to be met within the resources available.

Financial competency underpins other management skills, as most management decisions have financial implications.

How can financial competency be improved?

Firstly each organisation, department, business unit, needs to understand what level of financial competency is required in each of their areas of activities. The current level of competency then needs to be assessed using an objective measure. A financial competency improvement plan should be developed with target levels set and supported self development and training provided – a blended learning approach, including experiential learning may be one of many options.

The key benefits of having a financially competent workforce

A financially competent workforce has huge benefits for all organisations, such as:

- Increased savings
- Improved budget setting, monitoring and management
- Improved management decision making
- Improved business planning
- Understanding of costs and the implications of productivity
- Reduced waste
- Ability to consider different options and their financial impact on the organisation

These are just some of the benefits that can be measured and have a tangible impact on the financial health of an organisation.

The investment in developing a financially competent workforce can yield great returns.

How the FCI System can assist in achieving financial competency improvement

The FCI System is an on-line system which has been specifically designed to help individuals and organisations improve their financial competency. As such it has a flexible range of options to suit all sizes of organisations, and all levels of ability.

The FCI System provides:

- Objective financial competency assessments in a range of finance related areas, all of which are relevant to most organisations.
- A range of learning resources which can be used for self managed learning or as part of a class room based training programme. They include subject matter notes, exercises and solutions, as well as a slide presentation
- It offers a cost effective off the shelf package of 10 topics which are ideal for improving financial skills for most managers and staff with financial responsibilities
- Options to purchase one or more different financial competency assessments depending on requirements
- Options to develop bespoke assessments and materials for individual organisational requirements. We can develop content as well as providing the tools for on-line delivery
- An easy to use management system for organisations that wish to monitor its staff use of the FCI System, i.e. when and how many assessments are taken, scores achieved, and so on.
- Options for individuals to obtain accredited training which will lead to financial competency improvement through the FCI Academy

All the above can be acquired through the FCI System and we would be happy to discuss any of the above in detail if you make an enquiry at info@fci-system.com

The above article was written by **Jennifer Bean BSc.** ACA, MBA, FITOL and **Lascalles Hussey BA, ACA, MBA, FITOL**, both of whom are Chartered Accountants and Directors of FCI System Ltd, HB Consulting, and HB Publications. They have authored 10 management books for the public sector, including the popular "Managing the Devolved Budget" and have been providing consultancy and training services in finance and management for over 20 years.