INSIGHTS FROM EFAA'S DIGITAL COMPETENCY RATING TOOL

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Summary: In September 2019 the European Federation of Accountants and Auditors for SMEs (EFAA) launched a new tool to help small- and medium-sized practices (SMPs) rate and improve their digital competency. This article examines the insights to be gained from the early set of results and how professional accountancy organizations (PAOs) can leverage the tool.

Introduction

According to UNESCO advanced digital skills enable individuals and organizations to leverage digital technologies and transform what they do. Furthermore, the European Economic and Social Committee (EESC) believes digitalization can help SMEs boost their competitiveness, expand their market access and improve relations with their customers. Hence, it is self-evident that SMEs and the small- and medium-sized accountancy practices (SMPs) that support them the company should undergo digital transformation. And the starting point is to establish their current level of digital maturity.

Small- and medium-sized accountancy practices (SMPs) often struggle with their digital competency. Hence in September 2019 the European Federation of Accountants and Auditors for SMEs (EFAA) launched a new tool, the Digital Competency Maturity Model - DCMM™, to help SMPs rate and improve their digital competency. The tool, profiled in this IFAC Gateway article, can be accessed from the EFAA home page. This article examines the insights to be gained from the early set of results for the period from launch through to 31 December 2019, explains how professional accountancy organizations (PAOs) can leverage it, and outlines the next steps in its evolution.

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What is the Digital Competency Maturity Model (DCMM™)?

Digitalization has [profound implications](#) for SMPs. These implications will demand change, particularly as new digital technologies continue to emerge. SMPs must anticipate these changes and be prepared to respond. SMPs, however, are typically resource constrained and in need of guidance and direction on how best to respond to these implications. This is where the DCMM™ comes in. The DCMM™ comprises a questionnaire that enables SMPs to rate their current level of maturity on digital competency, identify areas where competencies are strong or lacking, and then develop a road map for achieving a higher level of maturity using [this article](#).

Presently the DCMM is available in Belgian (Dutch), English, French, German, Portuguese, Slovenian and Spanish. Other languages are under development. As the first generation online digital competency tool we accept it only provides an indication of digital competence. We are committed to continually improving it.

Once SMPs have completed the questionnaire, or scorecard, they are given a score dashboard showing their score for each applicable section as well as their rating. It should be noted that the questionnaire varies between sole practitioners and all other SMPs. All SMPs are required to answer Sections A and B but complete Section C depending on whether they are auditors (C1) or accountants (C2) or both (C1 and C2). The score dashboard presented as Diagram A shows what a sole practitioner offering both audit and accounting services.

Diagram A: Score Dashboard of Sole Practitioner Offering Audit and Accounting Services

Section		Actual Score	Maximum Score	Firm Level
A	The level of automation of the firm's internal processes	X	22	Level X
B	Availability of qualified resource pool and talent development relating to digital competencies	X	11	Level X
C1	Level of automation relating to **audit** processes and nature of audit services being rendered	X	16	Level X
C2	Level of automation relating to **accounting** processes and nature of accounting services being rendered	X	15	Level X

Firms are rated Level 1, 2 or 3: Level 1 indicates that the firm is in very nascent stages of adopting ICT and other digital technologies but will have to take immediate steps to upgrade its Digital competency or will be left lagging behind; Level 2 indicates that the firm has made some progress in terms of adopting ICT and other digital technologies but will have to fine tune further to reach the highest level of digital competency; and Level 3 indicates that the firm has made significant adoption of ICT and digital technologies but should focus on optimizing it further to be in the forefront of use of emerging technologies like Artificial Intelligence and Block Chain. When calculating their score SMPs have the option whether to submit their data. If they opt for submission the data is added to the database of responses for all firms. We hope they opt to do so since that enables us to generate more robust data for analysis by EFAA, its members and other participating PAOs.

Results

Table A summarizes the respondents by country for the period from its launch on 2 September 2019 through to the year end 31 December 2019. All countries in which EFAA and South Asian Federation of Accountants (SAFA) (a Memorandum of Understanding exists between our two federations) have members are listed. Respondents from any other country are aggregated and shown as 'Other'. Some 520 SMPs completed the survey and submitted their results (many more used the tool but chose not to submit their response). As one can see the country with most respondents was Portugal (280) followed by Spain (109) and Austria (80). Of the 520 respondents 461 indicate that they are accountants, and 100 are auditors and 41 are both accountants and auditors

Table A: Respondents by Country

Country	Number
Portugal	280
Spain	109
Austria	80
Slovenia	13
Sri Lanka	12
India	4
Germany	2
The Netherlands	2
Belgium	2
Afghanistan	1
Albania	1
Azerbaijan	1
Kosovo	1
Nepal	1
Other	1
Total	520

Table B: Respondents by Firm Size

Size of Firm	Number
Sole practitioner	112
2-5 partners and staff	225
6-10 partners and staff	74
11-20 partners and staff	37
21 or more partners and staff	72
Total	520

What can we learn from these initial results? Well its early days and one can see that a handful of countries account for vast majority of responses to date. Only the likes of Portugal and Spain have datasets large enough to draw meaningful conclusion from. But the aggregate data set, for the world and Europe, is not representative of the underlying population of SMPs. In due course we hope to put this right by exponentially increasing the number of users and size of the database. Until then we avoid placing too much import and reliance on the data.

Notwithstanding Table C shows the average scores for all 520 respondents as well as the maximum possible score for each section and the average score expressed as a percentage of the maximum possible score. Overall firms appear to be more digitally mature when it comes to the level of automation of the firm's internal processes - average score is 51.9% of the maximum score with most respondents attaining Level 2 – but less mature when it comes to availability of qualified resource pool and talent development relating to digital competencies where the average score is 43.3% of the maximum score, with most respondents attaining Level 3. Maturity is also relatively low for the level of automation relating to processes and nature of services being rendered, with level of automation of accounting lower on average (42.0%) than that for audit (47.5%)

Table C: Average Scores by Section

Section		No. of Respondents	Average Score	Maximum Score	Percentage
A	The level of automation of the firm's internal processes	520	16.1	31 (22 for sole practitioner)	51.9%
B	Availability of qualified resource pool and talent development relating to digital competencies	520	6.5	15 (11 for sole practitioner)	43.3%
C1	Level of automation relating to **audit** processes and nature of audit services being rendered	100	7.6	16	47.5%
C2	Level of automation relating to **accounting** processes and nature of accounting services being rendered	461	6.3	15	42.0%

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How can PAOs and SMPs utilize the DCMM™?

EFAA's member organizations are able to host the homepage in the local language on their own website, are included in the drop-down list of professional accountancy organizations (PAOs) on the landing page, and periodically receive data for their jurisdiction. EFAA member organizations can offer this tool to their SMP members as well as gain access to the results for their specific jurisdiction. In so doing the tool is an invaluable service to both the PAO and their SMPs.

EFAA will regularly share the results for each jurisdiction with its member organizations. This market intelligence will help these PAOs to determine how they can best help their SMP community improve their digital competence. These PAOs may wish to disseminate the aggregate results for their jurisdiction to their SMP members so that they might benchmark their practice by seeing how they compare with other practices.

EFAA will also publish regular summaries of the aggregate results, as we have done in this article, so that PAOs can compare their jurisdictions with others and decide what action, if any, to take. SMPs can compare their own result, as presented in the dashboard in Diagram A, with the averages

reported in these articles or averages for their country as shared by their PAO.

EFAA member Kammer der Steuerberater und Wirtschaftsprüfer–KSW (Austrian Chamber of Tax Advisors and Public Accountants) is a good case study as to how a PAOs can best use the tool – see the box below. **Please contact secretariat@efaa.com to discuss how your PAO can participate**.

Case Study: KSW's Use of DCMM™

KSW has translated the DCMM™, the EFAA DCMM landing page and the detailed information page into German. KSW made the German landing page and detailed information page available on KSW's technical website on digitalization, "KSW digiwiki", from where it redirects its members to the EFAA DCMM landing page. Access to KSW digiwiki is for KSW members only. KSW placed the information on the DCMM in their members' newsletter twice in November 2019 – and this promotion is reflected in the high number of responses (80) (see Table A above) - and is planning to launch another members' newsletter with an invitation to use the DCMM™ tool in February 2020. Once KSW has access to average data for Europe and elsewhere (see Table C above) it will analyze Austria's results.

KSW has already conducted two in-house online surveys on digitalization in 2016 and 2018.

What Next?

EFAA sees digitalization as key to the future relevance and quality of the work of SMPs and tools like the DCMM™ are key to helping them. In 2020 EFAA, led by project leader Noël De Rudder and in collaboration with the Institute of Chartered Accountants of India (ICAI) who developed the first version of the DCMM™, will enhance the questions and develop the tool's functionality so that it provides automated feedback with individual score vs average (for SMPs of same size, country and globally) in recommendations on how SMPs can improve their digital competence. We invite PAOs and SMPs to use it. As Richard Stallman said, "Sharing is good, and with digital technology, sharing is simple."

ABOUT EFAA

The European Federation of Accountants and Auditors for SMEs ("EFAA") represents accountants and auditors providing professional services primarily to small and medium-sized entities ("SMEs") both within the European Union and Europe as a whole. Constituents are mainly small practitioners ("SMPs"), including a significant number of sole practitioners. EFAA's members, therefore, are SMEs themselves, and provide a range of professional services (e.g. audit, accounting, bookkeeping, tax and business advice) to SMEs.

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