



EUROPEAN FEDERATION OF ACCOUNTANTS AND AUDITORS FOR SMES

EFAA DIGITAL COMPETENCY MATURITY MODEL: RECOMMENDATIONS FROM INITIAL RESULTS

SEPTEMBER 2020

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. In sum, SMEs and the SMPs that support them should undergo digital transformation. The COVID-19 pandemic has made this transformation even more essential and urgent.

“The pandemic has, in fact, accelerated digital adoption in areas such as e-commerce (for reaching clients) and remote working (for reaching staff) that relate directly to maintaining operations.”

[‘Meaningful work for the digital professional: roadmap beyond the pandemic’](#), ACCA

The starting point for the digital transformation journey is to establish the current level of digital maturity. 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, based upon the DCMM™ Version 1 of the [Institute of Chartered Accountants of India \(ICAI\)](#), is profiled in [this IFAC article](#) and can be accessed from the [EFAA home page](#). This article examines the insights to be gained from the initial set of results for the period through to 30 June

2020 and goes on to outline some recommendations to SMPs on how to improve their digital competency and to professional accountancy organizations (PAOs) on how they can best assist their SMP members in this endeavour.

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 Dutch, English, French, German, Portuguese, Romanian, Slovenian, and Spanish. This being the first generation online digital competency tool ever produced, we accept that it can only provide an indication of digital competence. EFAA is 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. 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). Table A describes these sections.

Table A: DCMM™ Sections

Section A: Level of Automation of the Firm's Internal Processes
This covers extent of usage of IT for its own internal processes – for example, billing, document management, client relationship management, and staff attendance and work tracking, cyber security, compliance with data protection regulation and social media presence.
Section B: Availability of Qualified Resource Pool and Talent Development Relating to Digital Competencies
This covers aspects like attracting, retaining and developing staff with requisite qualifications and skills.
Section C1: Level of Automation Relating to Audit Processes and Nature of Audit Services being Rendered
This covers the level of automation at client's end, access to automated audit tools, training of employees on audit tools, ability to handle digital evidence, Information Technology Audits, etc.
Section C2: Level of Automation Relating to Accounting Processes and Nature of Accounting Services being Rendered
Level of automation at client's end, access to automated accounting tools, training of employees on client accounting tools etc.

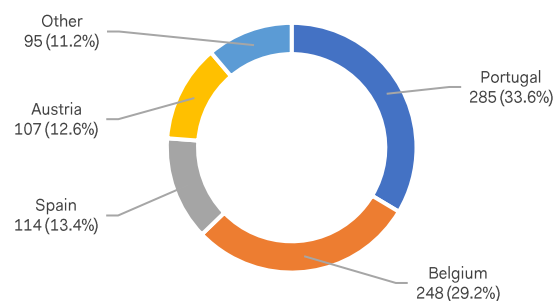
Firms are rated Level 1, 2 or 3: Level 1 indicates that the firm is in very nascent stages of adopting ICT and other digital technologies and so will have to take immediate steps to upgrade its Digital competency or will be left lagging behind; Level 2 indicates that the firm has made some progress in 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.

RESPONDENTS

Graph A summarizes the respondents by country for the period from its launch on 2 September 2019 through to 30 June 2020. All countries in which EFAA has a member and had 30 or more respondents are listed. Respondents from any other country are aggregated and shown as 'Other'. Some 849 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 countries with most respondents are Portugal (285) followed by Belgium (248), Spain (114) and Austria (107).

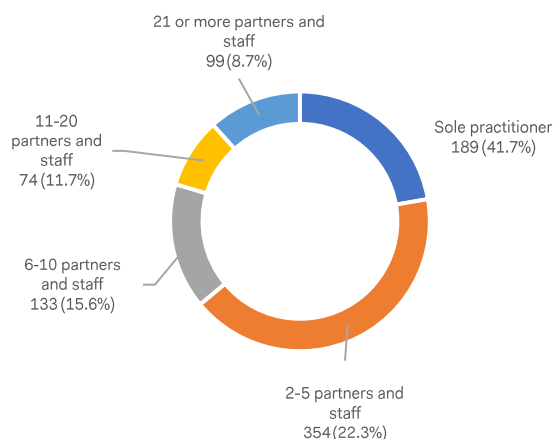
Graph A: Respondents per country



Of the 849 respondents 708 indicate that they are accountants, 73 are auditors and 68 are accountants and auditors. The modest number of auditors means care must be taken when interpreting the C1 data.

Graph B shows most respondents are SMPs with 10 partners and staff or less (79.6%).

Graph B: Respondents by practice size



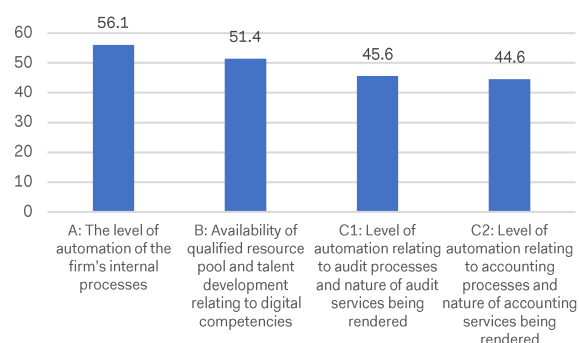
RESULTS

What can we learn from the initial results? Well, it is still relatively early days and a handful of countries account for most respondents. Presently the aggregate data set is not representative of the underlying population of SMPs in Europe or globally. Only Portugal, Belgium, Spain, and Austria have respondent numbers large enough from which one can draw meaningful conclusions. In due course we hope to get a larger representative sample of respondents. Until then, we should exercise caution when interpreting the results.

Overall

Graph C shows the average scores expressed as a percentage of the maximum possible score for all 849 respondents that submitted their data for further analysis. In general firms appear to be more digitally mature in so far as the level of automation of the firm's internal processes (56.1%) and the availability of qualified resource pool and talent development (51.4%) than the level of automation relating to processes and nature of services being rendered (average score of 45.6% for audit and 44.6% for accounting). This means that the core business (processes) of many

Graph C: Overall Average Scores by Section (%)



firms still have a lot of potential for digitalisation since a big shift in automating the core operational processes has not occurred yet.

Table B shows the average scores by section across the various firm size categories. One can see that larger practices tend to score higher. Sole practitioners exhibit the lowest level of digital maturity with average resource scores of less than 50% in all sections.

Table B: Size of Firm Average Scores by Section

Size of Firm	Average Scores by Section (%)			
	A	B	C1	C2
Sole practitioner	48.2	48.2	47.3	40.5
2-5 partners and staff	55.9	52.3	48.7	44.3
6-10 partners and staff	57.7	50.2	34.4	46.3
11-20 partners and staff	57.0	48.8	53.0	52.3
21 or more partners and staff	68.2	57.1	31.8	42.9
Total	56.1	51.4	45.6	44.6

Table C shows the average scores by section for each of the countries in which EFAA has a member and had 30 or more respondents. One can see that Austria and Belgium recorded the higher scores while Portugal the lowest. This suggests that digital maturity varies significantly from one country to another.

Table C: Country Average Scores by Section

Country	Average Scores by Section (%)			
	A	B	C1	C2
Portugal	48.1	43.7	29.3	37.6
Belgium	61.6	54.0	26.2	49.9
Spain	56.8	57.3	49.2	44.1
Austria	63.6	55.3	55.9	47.6
Total	56.1	51.4	45.6	44.6

Specific Questions

Table D shows the results from selected specific questions.

Responses to Question 1.1 indicate that a significant majority of firms are actively managing their digital identity. That said, almost half (48.8%) lack a verified social media presence while Question 1.8 reveals that just 41.3% have a collaborative platform in place to support digital media for communication.

Responses to Question 1.2 reveals that most firms have automated some of their operational processes for example, 84.1% have a centralised file storage system / server / cloud. However, only 54.8% of firms manage internal workflow and documentation on a digital workflow management system. Responses to Question 4.5 reveal a similar proportion (57.5%) have completely digitally maintained working papers for their compliance work. We conclude that, as 84.1% of firms are able to store their data digitally but only 54.8% actually store their working papers in digital format, digital tools are not being used to their full potential.

Responses to Questions 1.7 and 1.9 indicate, perhaps not surprisingly, that a significant majority of firms are compliant with regulation, laws and best practice pertaining to copyright, licenses and personal data and privacy. The small minority that are not compliant should rectify this as soon as possible.

Responses to Question 4.2 suggest that automation of client accounting services is mixed. While 64.6% of firms are importing financial transactions from files and / or from direct links

with financial institutions and 60.2% digitally processing invoices fewer than half (48.2%) of the firms have an accounting software package in the cloud.

Table D: Scores for Specific Questions

Question	Yes (%)	No (%)
1.1. Managing Digital Identity		
The firm		
i. Has a registered domain	77.0	23.0
ii. Uses a corporate domain ID for mails	79.3	20.7
ii. Has a verified social media presence	51.2	48.8
1.2 Operational Process Automation		
The firm has automated		
i. Attendance system / time management	54.1	45.9
v. Centralised file storage system / server / cloud (hardware infrastructure, Dropbox, Google Drive, etc)	84.1	15.9
vii. Internal workflow and documentation is managed on a digital workflow management system (internal procedures, for example anti-money laundering obligations)	54.8	45.2
1.7 Copyright and Licenses		
Software deployed are backed by appropriate licenses and inventory of licenses are maintained	91.0	9.0
1.8 Digital Media for Communication		
iv. A collaboration platform is in place (internal or external)	41.3	58.7

1.9 Protecting Personal Data and Privacy		
ii. Staff are sensitised on due care to be taken relating to sharing client specific information	87.4	12.6
iii. The firm is compliant with GDPR	82.1	17.9
4.2 Client Accounting Services (including Bookkeeping)		
i. Does the firm have an accounting package software in the cloud?	48.2	51.8
ii. Are financial transactions being imported from files and / or from direct links with financial institutions	64.6	35.4
iii. Are purchase invoices and / or sales invoices being processed digitally (for example, scanning, OCR, etc.)	60.2	39.8
4.5 Compliance Work		
i. Are the working papers (that is, closing file documentation, checklists, etc.) completely digital maintained?	57.5	42.5

RECOMMENDATIONS

EFAA recommends SMPs and PAOs do the following:

- SMPs should make digital transformation a high priority and their PAOs should support them in this endeavour. Digital transformation equals:
 - Mindset - develop a strategy / plan based on who we want to be and what services we want to provide to clients;
 - Skillset - what skills do our staff need, how do we make sure they obtain these and how

- can we attract people with the right skills; and
- Toolset - what tools can we use to leverage our strategy
- SMPs should undertake a digital self-assessment to determine their digital maturity by completing the DCMM™ and comparing their scores with the averages presented above (by country and practice size for sections and specific questions). SMPs can then define a plan based upon these results - there is probably some low hanging fruit which can make impact with little effort.
- SMPs should read IFAC's [‘Practice Transformation Action Plan – A Roadmap to the Future’](#). This action plan includes leveraging technology with the following steps: conduct an environmental scan; align with the long-term strategy and formulate a realistic implementation plan; adopt the cloud; identify and support an internal technology champion; and involve clients in technology decisions.
- SMPs should accelerate digital adoption including the following: community technologies such as social media and messaging which can generate new clients at little or no cost; ‘next-generation’ computing such as Cloud, Serverless and Edge; and data technologies such as big data, analytics, and visualisation.
- SMPs should disrupt themselves or else be disrupted. Client Accounting Services are still a fundamental part of the SMPs’ work and

these services have the highest probability of becoming automated by software. Therefore, SMPs should take a lead in automating these services.

- PAOs from those countries whose SMPs exhibit low average scores compared with the overall averages (see Table D) should consider significantly increasing support for the digital transformation of SMPs.

HOW CAN PAOS AND SMPS UTILIZE THE DCMM™?

This tool can be the basis for an invaluable service to both PAOs and their SMPs. EFAA's member organizations and other participating professional accountancy organizations (PAOs) are able to host [the homepage](#) in the local language on their own website, and are included in the drop-down list of PAOs on [the landing page](#). These PAOs are then able to offer this tool to their SMP members. EFAA shares the results for each jurisdiction with these PAOs on their request. This market intelligence enables these PAOs to determine how they can best help their SMPs improve their digital competence. These PAOs are encouraged to disseminate the aggregate results for their jurisdiction to their SMP members, in so doing enabling these SMPs to benchmark their practice through comparison with similar sized practices.

Periodically EFAA will publish summaries of the aggregate results and recommendations therefrom, as we have done in this article, so that PAOs can compare their jurisdiction with others and decide what action, if any, to take. SMPs can compare their own result with the average scores

reported in these articles or average scores for their jurisdiction as shared by their PAO. PAOs might formulate recommendations as we have done above only tailored to their own circumstances.

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™ tool in their members' newsletters of November 2019 and February 2020. This heavy promotion is reflected in the high number of responses (107) (see Table B above). KSW has compared Austria's data with the average data for Europe and elsewhere (see Table D above) to determine how best to help its SMP members improve their maturity.

We invite PAOs and SMPs to use it. As Richard Stallman said, "Sharing is good, and with digital technology, sharing is simple." And with more PAOs and SMPs using it the greater the amount of data, the better the insights from that data, and the more useful the tool.

WHAT NEXT FOR THE DCMM™?

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 late 2020 EFAA, in collaboration with the [Institute of Chartered Accountants of India \(ICAI\)](#) that has

recently [launched DCMM™ Version 2](#) (see [this video](#)), plans to enhance the tool. This will likely entail revising and adding section(s) and questions as well as enhancing the tool's functionality, possibly with automated feedback that compares individual scores with average scores (for SMPs of similar size, country and globally) and provides recommendations on how SMPs can improve their digital competence.

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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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