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# The indicators of human capital for financial institutions

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ABSTRACT

This study examines indicators of measurement and relative weights on key competency in the financial profession. In addition, the study functions as a reference for training in economic, academic, and financial circles. The findings demonstrate that attitude is relatively the most important construct for professional core competency in the financial professions. Industrial and academic circles suggest that continuous learning is the most important indicator of measurement on key competency. According to industrial circles, secondary indicators are work experience and emotional stability; academia suggests that secondary indicators are emotional stability and problem solving skills.



## 1. Introduction

It is generally accepted that changes in the essence of work and the workplace in a post-industrial economy are recreating the kinds of attitudes, skills, and knowledge needed for successful employment and work performance (Liebowitz, Agresti, & Djavanshir, 2006; Versu-Jover, Gomez-Gras, & Llorens-Montes, 2008). Stasz (2001) thought these changes, due to such factors as technology, management innovations, and competition in the global marketplace, raise questions for policymakers about the competencies that the graduated students will need in order to succeed in the workplace and further education, especially immediately after compulsory schooling.

The manifest shift in competency requirements in a modern economy has significant implications on education and training. This is partly because of the widespread agreement that more education and training is good for a modern economy. A main question for policy makers is how to change education and training systems to meet these demands most efficiently (Stasz, 2001). Many key competency indicators in financial professions are recognized by academia and management of business circles (Peslak, 2008). However, rarely have studies indicated the relative importance of these indicators. Thus, the primary contribution of this study is to construct key competency indicators of the financial profession. This study attempts to identify the weights of factors upgrading core competency by using the Decision Making Trial and Evaluation Laboratory (DEMATEL) and Analytic Hierarchy Process (AHP) systems to probe into the critical constructs and indicators as the basis for developing: (1) human capital for the financial industry of the future, and (2) criterion for industrial and academic circles on course planning and talent training.

## 2. Literature review

This study first collected and reviewed related literature as the theoretical basis of the research framework. The first section defines competency in the financial profession; the second section describes the content of key competency and develops the indicators that determine the constructs of the research framework.

### 2.1. Definition of competency

Houtzagers (1999) pointed out that competence is closely connected with the attempts of companies to create an atmosphere for their employees to increase competitive advantage, innovation, and effectiveness. Beck (2003) stated that many researchers have attempted to transform competency from companies to personnel development. Prahalad and Hamel (1990) suggested that core competence provide a competitively unique and contributing value to customers and cost. They distinguished the two by noting that competencies relate to skills, knowledge, and technological know-how, giving a definite advantage at specific points of the value chain. In combination with the strategic processes, these competencies link the chain together from core capabilities.

While the above thoughts relate to organizational core competencies, few scholars have transformed the idea of core competencies from the organization to the individual. Draganidis and Mentzas (2006) proposed that competence is the construction of skills, knowledge, abilities, and other characteristics that someone

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needs to perform a job effectively. However, some literature and scholars have begun to verify that attitude is a key factor that influences competence. The literature also has suggested that competence is related to the essential individual work-related factors, such as skills, knowledge, attitudes, beliefs, motives, and traits that enable successful performance of a job (Blancero, Boroski, & Dyer, 1996; Chen & Naquin, 2006; Shippmann, Ash, Battista, Carr, & Hesketh, 2000). Stasz (2001) provided empirical evidences for new competencies required from various sources, including employer surveys. Stasz, Ramsey, Eden, Melamid, and Kaganoff (1996) also indicated that employers are often more concerned about attitudes than skills or knowledge.

### 2.2. Definition of competency indicators

Based on the previous studies, this research on the competencies in the financial profession consists of three indicators – attitudes, skills, and knowledge – that could assist in performing a job effectively.

#### 2.2.1. Attitude

Olson and Zanna (1993) indicated that attitude is the psychological tendency that is expressed by evaluating a particular entity with some degree of favor or disfavor. Attitudes are formed based on affective or emotional experiences and could be seen as cognitive structure representing past experiences (Eagly & Chaiken, 2007; Olson & Zanna, 1993). Some researchers suggested that attitudes are most usefully viewed in terms of affective evaluations of an object. Others researcher pointed out that attitude is composed of affects, cognitions, and behavioral intensions. Therefore, George and Jones (1997) concluded that attitudes organize and summarize how people feel and think about their jobs and organizations, which, in turn, can affect their subsequent experiences.

Stasz et al. (1996) found that employers seek employees with the right attitudes and dispositions toward work, such as motivation, reliability, willingness to learn, and willingness to take responsibility. Vakola, Tsaousis, and Nikolaou (2004) indicated that conscientiousness describes people with self-discipline, responsibility, ambition, and competence. They also indicated that conscientiousness is positively correlated to positive attitudes. Emotional stability was found to be an important predictor of job attitude (Staw, Bell, & Clausen, 1986), and negative emotional stability has been linked to job stress and strain (Brief, Burke, George, Robinson, & Webster, 1988; Lebreton, Binning, Adorno, & Melcher, 2004). Emotional instability refers to employees' ability to withstand stress in the job (Howard & Howard, 1995; Vakola et al., 2004).

Gibb (2008) stated that continuous learning is common to all occupations and workplaces. Dehmel (2006) defined continuous learning as all learning activities continued in order to improve knowledge, skills, and competencies within related jobs. Hartman, Bentley, Richards, and Krebs (2005) pointed out that employers prize job candidates who exhibit experiences in teamwork, interpersonal skills, motivation, and initiative. In addition, Frese, Kring, Soose, and Zempel (1996) found that modern employers need employees who go beyond narrow task requirements and approach work proactively by showing personal initiative. Personal initiative can be defined as a behavior that individuals display that show active and self-starting approaches to work (Fay & Frese, 2001; Frese, Fay, Hilburger, Leng, & Tag, 1997).

According to the above definitions, attitude influences a person's actions through affective or emotional experiences and organizes how people think and feel about their job. The indicators of attitude are described below:

(1) Conscientiousness: a characteristic of a person with self-discipline, responsibility, ambition, and competence.
(2) Continuous learning: the continuation of all learning activity in order to improve knowledge, skills, and competencies within related jobs.
(3) Personal initiative: a behavior in which a person takes an active and self-starting approach to work.
(4) Emotional stability: an employees' ability to withstand stress in the job.

#### 2.2.2. Skill

Zaim (2007) defined skill as a means by which people are required to succeed in a particular job and accomplish their work. Buckingham and Vosburgh (2001) referred to skill as a specific technique or method. Skills can range from highly concrete and easily identifiable tasks, such as filing documents alphabetically, to those that are less tangible and more abstract, such as managing a quality improvement project (Hoge, Tondora, & Marrelli, 2005; Lucia & Lepsinger, 1999).

Stasz et al. (1996) found that employers and workers see the need for skills, such as problem solving, communication, and the ability to work in teams. Hollmann and Elliott (2006) surveyed employers' opinions on the characteristics of hired employees and found that most employers required employees to have communication skills. Ulinski and O'Callaghan (2002) defined communication skills as having the ability to listen, converse, follow instructions, and communicate with others. Rotundo and Sackett (2004) indicated that employers' recognition of basic skills included language, problem solving, and interpersonal skills. Gibb (2008) stated that people provide insight into understanding how the knowledge of a job is represented and contradicted through language; thus employees require language skills to understand their knowledge of a job. Lerman (2008) argued that required generic skills of employees include communication, teamwork, and problem solving. Prichard, Bizo, and Straford (2006) defined teamwork as a skill to enhance work-group effectiveness by improving team member's abilities in goal setting, problem solving, interpersonal relations, and role clarification (Lee, 2008; Prichard et al., 2006). Adams and Wieman (2006) defined problem solving skills as having the means to work on characterizing specific abilities needed to solve problems.

Many scholars have different definitions of skill, concluding that the definition of skill is a special capability or manner of development that is not inherent and is displayed in the performance of a job. The skill's indicators of measurement are described as below:

(1) Communication skills: having the ability to listen, converse, follow instructions, and communicate with others.
(2) Teamwork skills: enhancing work-group effectiveness by improving team members' skills in goal setting, problem solving, interpersonal relations, and role clarification.
(3) Problem solving skills: characterizing specific skills needed to solve problems.
(4) Language skills: providing insight into understanding how the knowledge of a job is represented and contradicted through language.

#### 2.2.3. Knowledge

Marrelli, Tondora, and Hoge (2005) defined knowledge as facts about products, customers, organizational policies, and lessons learned through experience. Knowledge is the fastest way to reach a decision maker, according to Buckingham and Vosburgh (2001). Stasz (2001) addressed knowledge as an abstract attribute that a person could attain over years of schooling, thereby improving his labor market success. Mirabile (1997) suggested that knowledge refers to a body of information relevant to performing a job.