

XBRL Reporting: What Happens Next?



This briefing is for those who want to learn more about the future potential of eXtensible Business Reporting Language (XBRL). The briefing is less concerned with XBRL basics and more with the information communication potential of an XBRL-enabled world. This perspective may be useful for business professionals looking for ways to use XBRL in their reporting processes for improved business control and communication.

Introduction

Machine-readable XBRL files are currently used to submit operational, tax and risk reporting to regulators in dozens of jurisdictions around the world. And the range of information delivered in XBRL formats is growing every year. But the future of XBRL reporting is about much more than just compliance – it's about new ways of managing transaction data, new types of holistic reporting and new kinds of datastream analytics.

The Start Point

For most businesses, the starting point for XBRL is compliance. They use it because they must in order to submit mandatory regulatory reporting. But most commentators on XBRL agree that compliance is merely the beginning of the XBRL journey. For example, Ernst & Young [1] sees this journey as having three phases:

Figure 10 - A look to the future

Timing	Market focus	Company perspective	Global developments
Phase I	Regulator-driven (current)	Compliance (current)	Intra country (current)
Phase II	Investor-driven	Commitment	Inter country (early stages)
Phase III	Consumer-driven	Leverage	Broad adoption

Source: [p. 30]

In practice, most mandated XBRL regulatory reporting reflects a very specific reporting content and context – namely quantitative, financial reporting intended for use by the investor relations (IR) community of stakeholders. This kind of reporting is focused on performance, governance and compliance evidencing, and risk assessment. But this regulatory reporting focus represents merely the tip of the iceberg in terms of the potential breadth of corporate reporting content and the increased interest in corporate behavior from other stakeholder groups.

In any case, regulatory reporting is usually an annual or quarterly event; a rear-view mirror exercise that reflects the day-to-day management decisions already taken. As more and more organizations are subject to demands for greater transparency, business managers will have to address the fact that transparency is not an annual event but something that requires continuous reporting at the operational level. It will become business as usual.

As Tomorrow's Company [2] puts it:

Adequate communication with stakeholders can no longer be achieved by publishing a single report each year. Investors are already used to receiving information in a variety of different forms throughout the year. Through the use of the Internet companies are now building similar ongoing relationships with other groups of stakeholders. Investors receive quarterly announcements, ad hoc briefings, and the detailed reports required by different stock exchanges.

There are many initiatives focused on the future of corporate reporting, each addressing the issue from different perspectives, but not always fully addressing the role that XBRL has to play. These initiatives include:

- Accountability's Connected Reporting – focused on the *Connected Reporting Framework* for clearer, consistent and comparable information.

Compliance is merely the beginning of the XBRL journey from regulator-driven to consumer-driven corporate reporting.

XBRL is not merely an implementation technology but a data standard that is essential for communicating agreed, consistent and comparable information.

- The Global Reporting Initiative (GRI) – focused on creating standardized indicator sets for reporting sustainability data.
- PricewaterhouseCoopers – focused on defining a new corporate reporting framework.

The US AICPA, UK's FRC and the IASB are also among the many accounting and reporting bodies contributing to the drive for new reporting standards. But like the Conference on Financial Reporting in a Changing World (May 2009) many arguing for a change in corporate reporting practices and for a new global reporting framework often minimize the role of data standards (like XBRL) in driving the adoption of content standards (like IFRS).

The future of XBRL depends on those who define content standards having a solid understanding of the important role that data standards have to play. They must move away from regarding XBRL as merely an implementation technology rather than a data standard that is essential for communicating agreed-upon, consistent and comparable information.

XBRL Transaction Tagging

A fundamental issue with XBRL that has to be faced: if the reporting target is an XBRL-tagged regulatory report – say an SEC 10-Q or 10-K – then why is the source not based on XBRL-tagged transaction data? Because if it isn't, a time-consuming and potentially error-prone process of transforming the data has to take place to move it successfully from source to target formats.

The reason this data transformation is necessary today is that Enterprise Resource Planning (ERP) and accounting software vendors have not embraced XBRL at the transaction/account level and, so far, have been happy to let their customers manage the burden of after-the-fact tagging of data to prepare it for regulatory submissions.

It's a relatively simple task to move the tagging of data down the information supply chain right to the start: posting transactions into an ERP system. All it requires is for the accounts that transactions are posted to be mapped to XBRL tags so that all transactions posted to those accounts are already mapped to the correct taxonomy tag (e.g. US-GAAP/UK-GAAP/IFRS) before any reporting takes place. In this way the appropriate jurisdiction XBRL taxonomy provides the data standard for driving both internal management reporting as well as external regulatory reporting.

Today's generation of ERP systems are not XBRL-aware at the account/transaction level but the future of XBRL assumes XBRL will be embedded into ERP systems. This ensures that when a new account is created in a chart, a one-time mapping to the appropriate XBRL tag ensures that data flows from the transaction source to the report target are already correctly tagged for reporting - whether internally or externally. A prospective standard already exists to help with this called XBRL Global Ledger (XBRL-GL). We should expect XBRL-GL, or something like it, to reduce the burden of compliance at a stroke and help to integrate every ERP system into the digital information supply chain by allowing these key corporate data repositories to act as an XBRL data provider in the financial reporting supply chain.

XBRL-Driven Holistic Reporting

XBRL has become synonymous with financial data reporting, but it is suitable for creating data standards for all kinds of data – both financial and non-financial. Recently, the integration of financial and non-financial data has become a much more visible issue in the context of sustainability reporting – that is reporting focused on environmental, social and governance

(ESG) data – and reporting that recognizes the importance of the triple bottom line (people, planet, profit). The global and interconnected nature of business today means that a new kind of holistic reporting is required to provide the kind of transparency that the future generation of stakeholders will demand to earn their trust.

Holistic reporting is fundamentally about surfacing the connections between different kinds of business data so that corporate information is more transparent because it is easier to trace the linkage between financial performance and operational behavior. XBRL can help to facilitate these future holistic reports because a single reporting context can embrace multiple XBRL taxonomies to combine the data into a single, navigable report. For example, combining the US-GAAP taxonomy with the Global Reporting Initiative's (GRI) taxonomy to create a report that links financial data with the GRI's (mainly) non-financial or evidential-based sustainability indicator data.

It is important that the future of XBRL is not reduced to a series of purely financially-driven silos. Instead, combinations of XBRL taxonomies can be used to drive new kinds of holistic reporting that mix and match data subject to multiple taxonomies. And once XBRL tagging is also pervasive at the transaction level in ERP systems and in the next generation of Environmental Management Systems (EMS), holistic reporting will become even easier and able to deliver more *heads-up* rather than *rear-view* information.

XBRL Datastream Analytics

Today we are surrounded by datastreams – massive streams of data that are being continuously updated and are accessible online both directly (via websites) and as web services through application programming interfaces (APIs) – datastreams like the blogosphere, Facebook, Flickr, Twitter and YouTube. Although the bulk of data in these streams is personal/social rather than corporate/business in nature, as they primarily reflect social networking activity between individuals and groups of friends, easily accessible datastreams are now an established fact of life on the Internet.

But XBRL is changing this by creating new corporate/business datastreams. Each time an XBRL report is filed with the SEC it represents an event that creates a datastream of thousands of new XBRL datapoints. As thousands of companies file and the range of the data they are required to file expands (e.g., in the USA - detail footnotes, corporate actions etc.) it's obvious that this data stream will grow into millions of datapoints very quickly. And that's just one XBRL datastream in the USA.

The SEC already publishes their XBRL datastream in the form of an RSS feed that makes it easy for all kinds of web tools and applications to consume and do more with the data. Tools to analyze and visualize the data, to compare and contrast the data, to integrate the SEC data with other datastreams from other sources. What this means is that another aspect of the future of XBRL is more and more diverse data analytics driven by the ingenuity and innovation of the “cloud-crowd.”

Microsoft is among a number of vendors that recognize the growing availability and importance of datastreams, having recently launched Microsoft Pinpoint [3] – a site that catalogs a variety of datastream providers so that you can subscribe to the data to analyze it in various ways from one place. Currently, the site does not provide access to any XBRL datastreams, but it's only a matter of time before it does.

Each time an XBRL report is filed with the S.E.C. it represents an event that creates a datastream of thousands of new XBRL datapoints.



Businesses should be thinking about how they can leverage their investment in understanding and using XBRL to drive more consistent and comparable internal reporting.

XBRL-tagged data is ideal for this kind of data appstore approach because the use of a data standard (i.e., an agreed-upon XBRL taxonomy like US-GAAP) means that it's easier for third-party analytical tools to consume the data and it's easier for the online data hub itself to find and aggregate the data. The potential availability of a range of XBRL datastreams is already changing the business model for traditional financial data aggregators like Bloomberg who make their living from adding value to raw financial data sourced from corporate reports.

The Future Looks Bright

XBRL has a bright future ahead of it that goes way beyond the current focus on regulatory reporting and compliance. Businesses that are being forced to create XBRL filings for regulatory bodies should be thinking about how they can leverage their investment in understanding and using XBRL to drive more consistent and comparable internal reporting. By tagging data at the account/transaction level, by investigating how XBRL can help to deliver new holistic reports that integrate and connect financial and non-financial data, and by leveraging emerging online XBRL datastreams for better industry performance and peer group analytics, every business can power its own journey towards financial transformation.

References

[1] Addressing XBRL: Moving business and financial reporting into the digital age
Ernst & Young (accessed July 26, 2010).

[http://www.ey.com/Publication/vwLUAssets/Addressing_XBRL-new/\\$FILE/Addressing%20XBRL.pdf](http://www.ey.com/Publication/vwLUAssets/Addressing_XBRL-new/$FILE/Addressing%20XBRL.pdf)

[2] The Future of Corporate Reporting. Tomorrow's Company (accessed July 26, 2010).

<http://www.tomorrowcompany.com/uploads/FOCRvf.pdf>

[3] The Conference on Financial Reporting in a Changing World - Summary Findings (accessed July 26, 2010).

http://ec.europa.eu/internal_market/accounting/docs/conference_052009/summary_en.pdf

Websites

Accountability's Connected Reporting Framework

<http://www.sustainabilityatwork.org.uk/strategy/report/0>

The Global Reporting Initiative

<http://www.globalreporting.org/Home>

Holistic Reporting

<http://www.holisticreporting.org>

Integrated Reporting

<http://www.integratedreporting.org>

[3] Microsoft Pinpoint (accessed July 26, 2010)

<http://pinpoint.microsoft.com>

PriceWaterHouseCoopers

<http://www.corporatereporting.com/corporate-reporting-framework.html>

4340 South Monaco Street, Fourth Floor, Denver, Colorado 80237

Phone: 720.249.2100 / Toll Free: 800.854.8821

Sales: 720.249.2191 / Support: 720.249.2181 / Fax: 720.249.2101

Founded in 2002, **Rivet Software** is headquartered in Denver, CO, and is the pioneer in standards-based business reporting and analytics, serving public and private companies, regulatory agencies and investors worldwide. Rivet enables more Fortune 500 companies in meeting their SEC filings than any other company. Rivet empowers companies with control over the collection, analysis and dissemination of their internal and external financial information helping to advance the transformation of business communication. Rivet's flagship product, Crossfire Financial Reporting Platform™, is a standards-based platform focused on internal and external reporting and analytics. Crossfire® is built on a robust XBRL framework with the support of an integrated information center and is easy-to-use for true information transparency.

© 2010 Rivet Software. All rights reserved.

