

14th XBRL International Conference: An Internal Perspective

BY GIANLUCA GARBELLOTO

➤ The 14th XBRL International Conference and Exhibition, held December 4-6, 2006, in Philadelphia, Pa., was an unprecedented success in terms of attendance, interest in the “interactive data” concept, and attention from the media and the business community. Understandably, the bulk of the public’s attention has been on the declarations of one of the keynote speakers, Securities & Exchange

Commission Chairman Christopher Cox, who discussed the benefits of XBRL in terms of cutting human errors, reducing restatements, and improving audits. His comments are even more compelling since they follow the September 2006 announcement regarding the SEC’s \$54 million investment in the transformation of the EDGAR database to enable it to use the XBRL technology and the completion of the XBRL representation of U.S. GAAP financial statements.

Various major announcements of new XBRL software products (from vendors such as Hitachi America, EDGAR Online, CoreFiling, JustSystems, and Rivet Software) and of XBRL initiatives and projects from around the world were overshadowed

by the spotlight on the SEC championing XBRL, but they all point to the fact that XBRL is taking the big step across the chasm that separates early adoption from broad implementation and fulfilling its promise to revolutionize business and financial reporting as we know it. The emergence of the “open source” model for XBRL tools, with Rivet Software putting its Dragon View into open source and UBmatrix contributing its XBRL engine to SourceForge, is another important trend marked by this Conference.

This part of the story is very visible and has had broad coverage in the media, but there was another equally important aspect to the Conference that deserves some attention. As the Internal Reporting Track

Chair at the Conference, I was responsible for providing proper visibility for the use of XBRL for internal use rather than external/regulatory purposes, and I want to add to the discussion about this particular perspective.

There’s no doubt that the major incentive for XBRL adoption so far has come from regulators around the world mandating its use. Obviously, this is a very effective way for a new technology to gain momentum. This is also the reason why the most visible implementations of XBRL relate to financial and regulatory reporting.

As I’ve frequently argued, the value proposition of XBRL is obvious for those who gather large quantities of data from different sources, such as regulators and analysts. It’s sometimes less obvious for those who generate that data: Companies and other entities struggle to see a real benefit for themselves rather than for those who receive, analyze, and compare their data. I’m happy to report that, even though the attention of the public and the media was pointed in a different direction, the Philadelphia Conference marked the beginning of the XBRL revolu-

tion on the internal front. In terms of impact, the internal use of XBRL will be bigger than what we are experiencing on the financial reporting side.

Interest in the impact of XBRL on internal reporting and its use for data interoperability and auditing purposes has always been high, and the Conference generated unprecedented feedback from institutional players, the academic world, and end users. Once again, it started with Chairman Cox's keynote speech.

Chairman Cox explicitly mentions using XBRL to represent business data and documents as they flow from the initial entry in the information system up to the end reporting—internal use instead of external: "Interactive data can improve quality and accuracy for vast categories of material information, from the moment of an initial transaction to the ultimate disclosure of a public company's aggregate data." Even more significantly, Cox cited the students from Emporia State University, winners of the Sixth Global XBRL Academic Competition at Bryant University. Cox described the software they created, which continuously identifies tagged transactions that should come to the attention of internal or external auditors, as an example of how, "in the very near future, companies of all kinds will be able to rely on interactive data to flag anomalous data and fix accounting errors in real time." This is obviously about the internal use of XBRL, and it's significant that the title of the Emporia State University project is "Continuous Auditing with XBRL GL."

This isn't the first time that the SEC spoke out about the importance of XBRL for internal use. At the 11th XBRL International Conference in

Boston, Mass., in April 2005, Peter Derby, then managing executive for operations and management in the Office of the Chairman of the SEC, stated that "...the benefits of XBRL for internal use have yet to be fully demonstrated. An organization looking at XBRL as a potential new format for regulatory reporting may not see the value in moving to the standard. However, an organization utilizing XBRL to improve internal reporting and management capabilities will view external reporting in XBRL as merely a logical step in their integrated reporting process. I believe more needs to be done to demonstrate these internal benefits of XBRL to further its widespread use." Again, it is significant that the SEC, while actively encouraging the adoption of XBRL for regulatory compliance, also clearly and visibly states the importance of adopting XBRL for use at a much deeper level within the corporate organization.

Further away from the spotlight, but still important, were the numerous statements from various speakers—and Conference attendees—regarding the importance of XBRL GL in general and of XBRL for internal use. For example, Miklos A. Vasarhelyi, a professor at Rutgers University and speaker at the Conference, said, "XBRL for financial reporting is just one of the many possible uses of this technology, and not the one that has the greater impact on the end user. XBRL GL is the natural place to start from for companies that want to implement XBRL, and making sure that this message is delivered and that XBRL GL is broadly implemented in accounting software packages is the most important thing to do now."

In his presentation, "XBRL for U.S.

Federal Government Accountants," Don Geiger, from Strayer University and the U.S. Department of Treasury, discussed a proof of concept (to which I contributed) on the use of XBRL GL to represent United States Standard General Ledger (USSGL) entries and roll them up to a federal government agency trial balance represented with XBRL for financial reporting. This is a very powerful example of XBRL at work on the internal reporting side within the federal government, but what I believe is even more meaningful is that representatives from governments from at least two other countries were in the audience, and the invitation from Don to exchange ideas and possibly take part in future developments of the proof of concept was accepted with interest and enthusiasm.

Finally, one episode really caught my attention because it was about the audience rather than the speakers. During his interactive session on "The XBRL Enabled Company," Steve Adelman, from the XBRL Business Unit of Hitachi America, Ltd., asked the audience about their perceptions of how long it will be before XBRL is fully adopted for internal use and before XBRL GL becomes a standard feature in major accounting software and applications. A substantial majority of the attendees said they believe it will happen within the next two to five years.

This, I believe, is the best evidence that the second XBRL revolution is already on its way. ■

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