If you think XBRL is just for financial reporting by public companies to the SEC, think again. XBRL promises to be for business reporting what the Universal Product Code (UPC) has become for retailers — a means of standardizing, managing and simplifying processes.

Most financial executives familiar with the term “eXtensible Business Reporting Language, or XBRL,” likely associate it with external reporting and regulatory compliance. And, as such, they are waiting to learn more about it when the SEC mandates filing via XBRL. However, the best-kept secret to date is that XBRL is much more than external reporting.

XBRL is a business information format standard that can potentially save companies large sums in processing and reporting information, help reduce headcount and get higher-quality information to management and the market faster and more accurately (see box, “Perceptions vs. Reality” on page 46). And, it makes optimum use of systems already in place by linking them to one another.

Standardizing Processes: UPC, Now XBRL

When the Universal Product Code (UPC) symbol, commonly known as the “bar code,” was introduced in 1966, most retailers were concerned that it would increase their costs and make it harder for shoppers to understand and compare individual product prices. Before too long, however, retailers were swiping products as they were sold, recording not only the locations and dates of their sales, but also tracking the inventory unit changes of the items sold.

Retailers then progressed to swiping customer bar-coded credit cards to track individual purchasers. Bar codes now save retailers over $17 billion annually and provide vastly improved product assessment and comparison capabilities for both retailers and shoppers.

Like UPC, XBRL is a form of standardization that brings significant process efficiencies. Just as the UPC – standardized product descriptions enable greater agility in inventory management, enhanced product throughput and lower overall inventory management costs, XBRL enables greater agility in managing enterprise information, speed of access and analysis and provides an opportunity to lower overall compliance process costs.

Companies have struggled to integrate business information into a single software system because they could not seamlessly connect various applications. XBRL, however, does for business information what UPC does for products — it standardizes descriptions. By providing digitally-executable descriptions for business information, XBRL helps various business software applications to universally recognize, understand and apply the information, rules, relationships and other relevant concepts used by business and compliance processes.

Financial executives do not really need to understand the technology underlying XBRL, but rather what XBRL means to their processes. XBRL was designed to address highly pervasive business process problems. Understanding how it addresses these common problems will allow financial executives to streamline them.

Four common and significant problem areas can benefit from XBRL: systems integration; data access, assembly and review; data quality; and spreadsheets.

Systems Integration

Probably the largest and most pervasive of all problems facing the financial executive is the constant need to integrate an increasing number of different internal systems. A common solution to this problem is to select an enterprise resource planning (ERP) software application and migrate the data contained in different applications into the selected ERP warehouse. This software approach typically involves significant cost and time investments and substantial project implementation risk.

XBRL creates a more effective approach to the systems integration problem by standardizing how business information is described across internal software applications. By bringing conformity to how different proprietary applications look to each other, the result is a significantly more efficient and effective environment for accessing and processing information. By applying an information standard across all levels of business information within the enterprise — from reporting disclosures to general ledgers to transactional ledgers and sub-ledger systems and back to operational systems — XBRL enables disparate systems to all “speak the same language.”

This information solution was applied by intimate apparel maker Wacoal to address the systems integration problem for its 32 disparate ERP systems. Assisted by Hitachi Ltd., Wacoal applied the XBRL Global Ledger, developed by XBRL International, to standardize how these different applications communicated. This allowed each of the underlying business units to continue operating their individual and unique business process systems, while exposing the critical business information housed within these different systems to the corporate decision-makers in a uniform manner.

This approach — an alternative to the typical single-instance ERP software solution — was implemented in under six months, avoiding approxi-
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**PERCEPTIONS vs. Realities**

- **XBRL is another costly standard**
- **XBRL creates a standard information format that is freely available**
- **XBRL is a new software application that is expensive to implement**
- **XBRL is designed for external reports and internal ledgers and sub-ledgers**
- **XBRL is only for external financial reports**
- **XBRL is an international information format standard that is freely available**

XBRL dramatically improves the transparency of internal information so that it can be more easily accessed and subsequently analyzed. This enhanced information transparency allows financial executives to easily access specific data from a wide range of internal data stores for analysis and decision-making.

Simple tools can be used to access and reuse the data contained within the now-uniform data stores, enabling performance assessments and benchmarking, using data from across a wide range of applications.

XBRL-structured data also enables the more effective use of existing report-writing and data analysis tools. Collaborative assembly-and-review processes across a broader range of information are relevant to the report (e.g., financial statement tables, notes to financial statements, MD&A), and not just the “debits and credits,” as is currently analyzed and updated to the most current process reporting procedures.

Additionally, XBRL allows financial executives to significantly automate many manual processes, validation and analytical processes. John Stantial, assistant controller at United Technologies Corp. (UTC), reports that using XBRL reduced the cost and time of external reporting processes by more than 20 percent. By not manually extracting the data and working in multiple documents, the effort to proofread, review, check and add footnotes is not required. This eliminates time and labor from the periodic reporting process, while concurrently strengthening the over-all process controls. Through an effort of tagging and furnishing our first document, we were able to gain a practical understanding of XBRL that we hadn’t been able to achieve previously and to dispel the misconception that the process is expensive and time-consuming.”

More importantly, he continues, “We began to fully appreciate the capabilities and potential of XBRL, as well as the benefits of early adoption. We have built our internal processes and controls to support the ongoing tagging and filing as part of our standard financial reporting process. UTC is one of the nearly 50 companies participating in the SEC’s voluntary filer program for users of XBRL:

Data Quality

Poor data quality is a common problem for companies. A common solution for addressing this issue is to perform data validation tests prior to incorporating the data in the relevant financial reports. If data errors are passed back to the data provider for correction and re-submission. This scenario is pervasive, as validation (and analysis) is typically addresses by financial executives rather than data providers.

Consider if Ford Motor Co.’s production line worked like current data validation processes. Individuals at the assembly line would receive a piece of raw steel rather than the quality-tested steel required for each car model being produced. In a more automated supply chain, detailed information and rules were passed automatically from significant processes are typically based on the prior paper-based manual efforts and are likewise highly manual, and present significant process and control risks. Given the highly published examples of spreadsheets-oriented restatements, financial executives may wonder about their manual spreadsheet processes and controls. Spreadsheets and related controls can be improved by standardizing the information model contained within the spreadsheet and automating the currently manual steps. Management can create numerous benefits for formalizing and articulating the relevant information using XBRL’s Global Ledger Framework and other XBRL-based taxonomies and rules — rather than relying solely on the spreadsheet to standardize the request for relevant information. These include:

- **Self-service customized spreadsheet generation**
- **Automated population of prior period information**
- **Embedded validation and analytical rules to enhance information quality**
- **Economic incentives for preparers to automate current manual validation processes**

Using XBRL, spreadsheets can do exponentially more than they do today, while enhancing controls, transparency and reducing processing time. XBRL-enabled spreadsheets function like virtual dashboards, allowing consumers to access, use and report on any information accessible in a standardized manner.

While standardization is a commonly accepted approach to lowering costs and realizing process efficiencies, many do not realize how using XBRL can deliver on these benefits. Recall, early perceptions were that the UVC would increase costs and hinder transparency. The reality is that it has greatly helped retailers streamline business processes and lower costs. XBRL is similar to applying standardization to business information across different systems.