Challenge to Accountants: Go Digital

A NEW ERA OF DIGITAL REPORTING, LED BY the eXtensible Business Reporting Language (XBRL), is beginning to take hold across the globe. Here are a few samples of recent press releases that illustrate the point:

NEW YORK, N.Y., AUGUST 5, 2003—XBRL-US today announced the results of its recent XBRL Software Vendor Survey showing that two-thirds of accounting software vendors have either already XBRL-enabled at least one of their accounting software packages or will do so by December 2004. These software vendors include Oracle, Microsoft, Hyperion, SAP, PeopleSoft, ACCPAC, JD Edwards, and Cartesis.

Oracle recently announced significant enhancements to Oracle® Financials designed to enable better financial controls, better policy compliance, and more reliable financial reporting. The press release announcing the latest version of Oracle Financials—11i.9—included:

More consistent business reporting: eXtensible Business Reporting Language (XBRL), an XML-based standard for financial reporting, is rapidly emerging as a critical tool to address the increasing demand for improved financial transparency, as it helps ensure clarity in reporting and enforces reporting consistency from one company to another. The updated version of Oracle General Ledger, a part of Oracle Financials, now has XBRL support

built directly into the financial reporting engine. Companies can automatically produce text, spreadsheet, or XBRL versions of the same text-based reports that they currently run.

SAP Global Product Marketing Director Kraig Haberer, discussing SAP's support of XBRL, said:

"XBRL is a critical step towards next-generation financial management. Consequently, SAP is proud to take a leadership position in adopting XBRL standards and enabling our customers to enrich financial reporting, increase stakeholder visibility, and increase business performance."

The clear message coming from the world's leading financial software vendors is that the era of digital reporting is upon us. Businesses are discovering how to use such tools as

- Business Activity Monitoring (BAM),
- Digital Dashboards,
- Corporate Information Portals,
- Business Intelligence tools, and
- Data Warehousing, Data Mining, and Data Marts.

The efficient operation of the above methods of digital reporting is made possible by adding information about data to the underlying data through the use of the eXtensible Markup Language (XML). XBRL is a highly valued member of the XML family of markup languages.

XBRL's role in reporting methods is to make financial data quickly and easily available to digital business reporting applications such as those listed above.

Financial professionals have traditionally provided expert assistance in preparing and delivering meaningful business reports. This expertise is needed today more than ever as the business world is demanding more speed, visibility, and transparency in business reporting. In the digital reporting era, knowledgeable financial professionals must be ready to step forward to participate in the construction and delivery of digital business reports.

Members of the IMA typically provide value to their employers and clients through business reporting and managerial insight. They accomplish this task not only by assembling the information, but also by providing financial guidance on current and future financial reporting. Management accountants provide visibility on the implications of future management decisions and provide the control and ethical environment needed for the ongoing health of the business. The new digital reporting era does not diminish these traditional roles.

What's Different Today?

The world of the finance professional is changing rapidly. In their role as the leaders in establishing an ethical and controlled environment, management accountants need to take some of the responsibility for the recent increase in corporate malfeasance. The Sarbanes-Oxley Act of 2002 specifically mentions the requirement for certification of internal controls within companies. Actions of corporate officials are required to be publicly posted to company websites within hours of occurrence. Digital reporting of up-to-date information is no longer a luxury; it is now required by law.

There's also a growing trend in the industry to relocate white-collar jobs to low-cost countries around the world. Countries such as India, China, and Russia are discovering the economic benefit of training their people in the process of preparing U.S. tax returns, handling insurance claims, and operating computer help desks. Other accounting services won't be far behind, leaving accountants with only basic-level skills looking for work outside the profession.

Buffering this trend is a strong movement toward the use of information technology in the financial profession. Improvements in major accounting systems, performance gains in computer hardware, and new ways of classifying, transmitting, storing, and retrieving data using XML have ushered in a different era of business reporting.

Are Management Accountants Up to the Challenge?

In short, the answer is no or not yet. Accountants have traditionally been trained to treat accounting data as a special "language of business" that only they could translate. The language confuses the untrained. Debits, credits, accruals, amortization, special-purpose entities, off-balance-sheet financing, and similar terms create a cloud of mystery around financial statements until the accountant saves the day with his or her interpretations. In the meantime, management needs data to run a business and typically turns to the IT department for answers. Management accountants need to get back to reporting what's going on in the business, including all the key performance indicators (KPIs) that measure the pulse of a business.

Traditional financial reporting, as expressed in financial statements compliant with generally accepted accounting principles (GAAP), leaves a lot to be desired. Congress, reacting from the sting of corporate failures such as Enron, WorldCom, Global Crossing, and many others, passed legislation aimed squarely at improving the regulation of publicly reporting companies.

Who better to design the managerial reports needed to run a business than the financial professionals hired to do exactly the same? In spite of the relative mess that external financial data is in today, internal managerial reporting is in relatively good shape. Tools like activity-based costing and the balanced scorecard are letting management accurately access current performance. But there's much room to advance.

Next month I'll tell you about IMA's new Digital Reporting Certificate program, which is a series of courses positioned to give members of the financial profession the understanding and insights needed to participate in the design, construction, and delivery of digital business information. ■

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