The Distinctiveness of XBRL GL

BY GIANLUCA GARBELLOTTO

The great thing about standards is that there are so many of them. As somebody who makes a living from implementing standards-based architectures, I frequently have to make choices in terms of what standardized format is more appropriate for representing data in a specific context, and in some cases there is no single answer.

When it comes to business data integration, multiple solutions for the standardized representation of the information found in back-end accounting systems, as a whole or in part, are available. Also, multiple sets of "building blocks" to create those representations exist. You can also choose to build your own data model from scratch so that it matches the specific requirements exactly, rather than leveraging a widely adopted standardized model that already exists but that requires some level of compromise.

In this context, XBRL's Global Ledger Framework (XBRL GL) stands out as a complete, holistic, and integrated solution that has many advantages over its "competitors," whether they already exist or have to be built. To understand its value, you need to appreciate what makes XBRL GL unique and how its distinctive qualities can make all the difference in real-life implementations. Let's have a look at the possible alternatives when planning an implementation that requires an underlying model for business and/or accounting data representation.

Build from Scratch

This is a popular choice both because it falls within the "comfort zone" of many IT professionals and because it has very specific and valuable advantages at first sight, including:

1. You get to use your own terminology and structures instead of having to understand and use someone else's. This suggests that you can achieve greater efficiencies within your own environment. At the same time, however, it doesn't consider requirements that may imply inter-actions with external parties. These requirements are sometimes considered a "nice to have" initially, but they typically acquire more and more importance as the basic requirements are met.

2. You get to focus on the information that you are really interested in. Standard models by definition address generic requirements. Consequently, their structure contains more than any specific implementation needs at first sight. In many cases, at least part of that "more" comes from the experience of others who have worked at similar projects and may help address requirements that weren't part of the initial scope but may well prove to be useful in the future.

In other words, the reasons that commonly support the decision of building a proprietary data model rather than leveraging a standardized one are also the common causes of the "growth crisis" that many implementations face in the later stages of their maturity, which ultimately convert them into yet another legacy system.

Other factors that should be carefully considered are the time and the amount of resources that will be

required, particularly in terms of the necessary technical knowledge. This includes relevant business/domain knowledge, data modeling knowledge, and XML knowledge, as well as having these skills available in the team. Leveraging an existing standard is not only very cost effective in this respect, but it also allows taking advantage of a stable framework that was developed with the contribution of many stakeholders and many skilled professionals and has gone through an extensive process of internal and external comment and validation. It's like gaining access to the best in the field for free where the only implicit cost is learning how to use and implement someone else's work.

Use Existing Standards

Once the decision of implementing a standards-based solution is made, why should you opt for XBRL GL rather than any of the other relevant standards available for business, tax, and audit/forensic representations? When the purpose is very specific to a domain or jurisdiction, it may seem to make more sense to go for a standard that was developed specifically for that domain or jurisdiction rather than for a generic, jurisdiction-independent standard like XBRL GL. Let's look at why XBRL GL is a better choice in many cases—either as the main underlying data model or used to integrate other standard or proprietary structures in a single, comprehensive, flexible, and cost-effective solution.

Scope

XBRL GL acts as a bridge from transactions to end reporting. It is the only available standard that addresses the requirements of the business reporting supply chain as a whole.

Unlike most existing alternatives, XBRL GL is a generic, extensible framework that isn't limited to one type of reporting or one series of modules. It can feed into multiple end-reporting representations, such as XBRL taxonomies, purpose-specific standards like the IRS XML format, and, in general, any standard or proprietary XBRL or XML representation. Alternatives maintain a single link at most.

Supporting Two Masters

XBRL GL supports two different approaches for data representation: the "monolithic" approach, which is more suitable for full recording and tracking of all changes in the represented data for auditing purposes, and the normalized approach, which is more effective for data interchange as it optimizes the size of files. Alternatives are limited to representing a snapshot of the data at a certain point in time.

XBRL GL provides other features that support its "two masters." Some key fields only allow values from a list of possible enumerations, which helps drive automatic consumption of data between different applications. But this feature, useful for data interchange, would be a problem in auditing, where it's more important to provide more verbose and context-specific descriptions. For each enumerated field in its framework, therefore, XBRL GL also provides a free-form field that accommodates the requirements of an audit-oriented implementation. Alternatives provide either one or the other.

Reconciliation

XBRL GL supports multiple bucketed time periods for different types of reporting. Also, the ability to track book, tax, management, and other kinds of reporting simultaneously, recording the differences, and providing supporting evidence for the differences makes reconciliation seamless and straightforward. Alternatives are limited to one type of reporting and support one calendar at a time.

Another unique reconciliation feature of XBRL GL is the capability of standardizing the link between multiple end-reporting formats and their underlying detailed data. This plays a key role in facilitating convergence in international accounting standards, for example.

An Effective, Flexible Tool

Real-world data integration implementations often present serious challenges because of the combined effect of the project's requirements and the constraints that come from source and target applications. These challenges can be addressed through a solid data model that's flexible enough to be extended and adapted to current and future requirements while simultaneously serving as an effective bridge toward multiple end-reporting needs. XBRL GL is the tool that makes the difference in these situations, either as the main underlying data model or as an interface to bring together source data and context-specific proprietary or standard representations and help integrate them in the overall business reporting supply chain. ∎

Gianluca Garbellotto is an internationally known expert on both the business and technical aspects of XBRL and XBRL GL. He is the current chair of the XBRL GL Working Group and a member of the XBRL International Standards Board. Gianluca can be contacted at gg@iphix.net.