# How Good Are Your Standards?

BY GIANLUCA GARBELLOTTO

What if you come into the office tomorrow and discover that the keys on your computer's QWERTY keyboard had suddenly been rearranged? Whether you type using one finger or 10, my guess is that your productivity would be seriously affected and your job performance would suffer. (Some would argue that a change of keyboard can actually be a good thing—see www.theworldofstuff.com/dvorak—but that's a different story.)

That's why standards are so useful—regardless of whether they are established by an authoritative source ("de jure" standards) or widely adopted because of their success and effectiveness ("de facto" standards). The adoption of standards can save substantial amounts of money, increase efficiencies, facilitate interaction and collaboration, and be the difference between success and failure of projects, companies, and even nations. Think of the cost savings generated by the adoption of standardized containers for shipping and the impact it had on commerce for countries such as China.

In the specific context of business and financial data, enterprise

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resource planning (ERP) systems, and business intelligence, the greater benefits come from adopting a standards-based architecture—that is, the use of standards not only to represent data but also to view, access, and process data.

Of course, because there are multiple standards that are or may be relevant, it's important to make an educated choice. The first, and probably most important, step for a CFO is to be aware of what a standards-based architecture has to offer and what its implementation really means. This will facilitate a process of analysis and discussion/negotiation with IT that may prevent undesirable changes in the course of action.

In my experience implementing solutions based on XBRL, I have observed a persistent tendency to substitute the concept of "data standard" with the alternative concept of "broadly accepted and used practices to deal with data." For most IT professionals, this is a synonym for building—or buying—a relational database that reproduces the standard data model of choice (and generally customizes it for the specific use) and a hard-coded application to go with it. This is when the key enabler of a successful standards-based architecture gets lost. While it's true that any purpose can be achieved with a traditional relational database/hard-coded application model, it simply can't be done with the speed, lower costs, and reusability/flexibility of a real standardized data model and a data-driven application that leverages the model. By definition, adopting a standard means a compromise

because a standard is built to fulfill generic requirements. But the advantages in terms of reusability and of existing applications that can process the standard make that compromise a decision that pays off multiple times.

Embracing a standard data model is the first step toward achieving the advantages of costs and efficiency that a standards-based architecture can deliver. But what are the pros and cons of the existing standard data models? And are they sufficient, or is there a need for a more comprehensive solution?

## Standard Data Models

Most of the existing standards in the accounting and finance space fall short in one or another of the basic features that a standard has to provide: authoritativeness of the entity that owns/maintains it, effectiveness in implementation, and breadth of scope.

The United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) provides authoritativeness to the standards defined by its Trade and Business Processes Groups (TBG). The work of the Accounting and Audit TBG (TBG12) is very relevant for the accounting data domain, but its scope is limited to the representation of accounting entries, and its focus is primarily on the needs of small businesses. While these aren't bad things in themselves, they represent an obvious limitation to using the standard as the backbone of a comprehensive standards-based solution.

The Organisation for Economic Cooperation and Development's (OECD) Standard Audit File-Tax (SAF-T) at first sight has the advantage of having been adopted by the government and regulators of at least three countries: The Netherlands, Canada, and Portugal. In real-ity, this is more of a symptom of the fact that the market needs an effective standard because the existing solutions are insufficient. In the implementations in these three countries, the SAF-T has been substantially changed to adapt it to the specific requirements that it obviously didn't meet by itself. As the SAF-T isn't part of an extensible framework, these changes completely cut off the local versions from the published version. Another downside is that the OECD isn't a standards-setting entity, and IP issues on SAF-T are cloudy.

Other efforts have been either successful in terms of implementation but focused on local realities, such as the Standard Import Export file (SIE) in Sweden, or have very limited scope and little diffusion, such as the Open Applications Group Integration Specification's (OAGIS) GL Entries.

## XBRL

As for the eXtensible Business Reporting Language (XBRL), there are few doubts regarding the authoritativeness of the Consortium that owns and maintains the standard and little question as to the effectiveness and success of XBRL in terms of adoption and implementation. The issue with XBRL actually may lie in its success. Its application to financial reporting and regulatory filing has been extremely visible, consequently focusing the attention of the general public and the majority of the XBRL community on that specific application of XBRL. Meanwhile the applications of XBRL for representing internal and detailed data such as accounting entries, ledgers and subledgers, business documents, and so forth (the "BR" in XBRL) go mostly unnoticed. These are the features of XBRL that really define its complete value proposition, which goes far beyond being a format to represent financial statements and regulatory filings.

These overlooked features make XBRL—or the joint use of two XBRL components, XBRL for financial reporting (XBRL FR) and XBRL Global Ledger (XBRL GL)—the best solution currently available to the market's demand for effective, workable standards. XBRL GL and XBRL FR together cover the needs for standard representation of the whole business reporting supply chain from the time that a document is initially entered in the information system up to the internal report and/or financial statements. XBRL GL is a holistic, comprehensive format that can easily represent other standards, including UN/CEFACT or SAF-T and other industry- or domain-specific standards (ACORD, MISMO, HR-XML). XBRL GL is also the ideal bridge from source applications to the end representation of the various "views" of data necessary for different internal or external purposes.

If you want to lower the costs and time to completion of your next data project, you should consider a standards-based solution. The XBRL Specification, XBRL GL, and XBRL taxonomies that are relevant for your specific financial reporting needs are among the key enablers for your project's successful implementation. ■

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