Part I: The Very Least You Need to Know about XBRL

In this part...

This part provides you with the absolute minimum you need to know about XBRL. We start off by providing what amounts to a macro-level conceptual overview of XBRL to help you get your head around what XBRL is. Next, we look at why XBRL is what it is and how it works to bridge the gap between real world business systems. Jumping from the macro to the micro level, we then switch the focus to XBRL itself, explaining its working pieces from the big picture perspective. We then really move into the micro-level details, providing an XBRL primer focusing on the key components you need to understand. We wrap up this part by explaining how XBRL will impact you. We take a look at how different types of organizations might use XBRL and how it might impact specific roles within an organization, one of which might be your role.

Chapter 1. Wrapping Your Head Around XBRL

In This Chapter

- Discovering how XBRL is changing business reporting
Revealing the truth about XBRL

Figuring out how to make XBRL work for you

Discovering good reasons for considering XBRL

Bridging the information gap between business systems

You may have heard about XBRL, but have no idea what it is — only that you need to start using it. If that's the case, you're in the right place. In this chapter, we journey into the world of XBRL by giving you all the things you need to get your head around XBRL in the form of a conceptual overview. We explain what XBRL is, describe the environment that it fits into, give you some examples of who is using it and why, what benefits it provides, and what it might take for you to start using XBRL. Basically, in this chapter, we define a framework that you can use to get your head around XBRL and leave it to other chapters to drill into the details.

1.1. Answering the Question, "Why XBRL?"

Now that the United States Securities and Exchange Commission (SEC) mandates the use of XBRL, stock exchanges around the world use it, and it's officially supported by the European Parliament as well as the governments of the Netherlands, Australia, Singapore, Japan, India, and China. The Extensible Business Reporting Language (XBRL) is pretty much undeniably a global standard for business reporting. Obviously, XBRL is here to stay.

Your business operates on information, so you need to know the fundamentals of XBRL. This collection of information may be physically separated by artificial boundaries between the different business systems you use to operate your business. This collection of information may not even be in your own business systems, but within the business systems of your suppliers, customers, and other business partners. If you can bridge this gap between different business systems, both those within your organization and other organizations within your supply chain, a more cohesive information set results, enabling you to see your business like you have never seen it before, and vastly improving your effectiveness in managing your business and the supply chains in which your business participates.

NOTE

XBRL is, fundamentally, a language that helps businesses effectively and efficiently bridge the current gap between business systems by crossing these artificial boundaries.

Figure 1-1 shows the common relationships that most businesses have. Suppose that you work within the parent company shown in Figure 1-1. You'll likely have more than one business system, ranging from a big Enterprise Resource Planning (ERP) system and Corporate Performance Management (CPM) system to perhaps small but important spreadsheets that contain information. Those business systems are generally internal to your organization. You may need to exchange business information with subsidiaries, which also have business systems. The same is likely true of customers, suppliers, regulators, and a plethora of others with whom you interact and exchange all sorts of information. These systems are generally external to your organization. In the past, no standard for exchanging information between these internal or external systems existed, so you created homegrown, automated, one-to-one approaches or one-to-many approaches, or used approaches requiring a lot of human involvement that have been the norm to exchange information between business systems. With XBRL, more of these information exchanges can be efficiently automated by using one globally standard approach.

Don't be fooled into thinking that because XBRL is now used mostly for financial reporting or by regulators that you don't need to pay attention to XBRL. Assuming that XBRL is not applicable to you is like assuming that HTTP (Hypertext Transfer Protocol, one of the key ingredients of the Web) is not applicable to you. You may not care about the nitty-gritty details of XBRL or HTTP, but you care about using what they enable.

Managers at all levels of business need timely, complete, accurate business information that is relevant to their purposes. The vast amount of human capital that is currently expended to integrate this information manually, commonly using point solutions (such as entering data into spreadsheets), clearly demonstrates this need. (Point solutions solve a problem for a specific limited situation, but don't do anything to resolve related issues.)

Before the ubiquitous and now almost free (or certainly low cost) connectivity of the Web, integrating these various systems, using human capital and point solutions, such as spreadsheets, was the only real solution to this problem for most businesses. However,
thanks to the Web and technologies such as XBRL, any organization now has at its disposal better, more effective, and more efficient methods to solve these types of problems. No longer do you have to be a gigantic multinational corporation to afford these types of integrated solutions.

NOTE
It's not that business systems weren't interconnected before: Certain business systems that had to be interconnected were interconnected, regardless of the cost, because the benefits were so critical or the cost savings were so huge. For example, the ticketing systems of airlines are interconnected, allowing you to book flights from one location to another even if you're on different airlines for different legs of your journey. Today with XBRL and other enablers, however, the cost of bridging these types of gaps can be so low that the cost-benefit equation has shifted, meaning that more gaps can be bridged because the net benefit of doing so is so much larger. Smart businesses take advantage of these opportunities and become better, more competitive businesses.

Figure 1.1. Common business relationships.