



Stakeholder engagement in internet financial reporting: The diffusion of XBRL in the UK



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ABSTRACT

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Internet financial reporting is now widespread with most medium and large companies in the developed world providing a wide variety of financial data online. However, much of this information mirrors the paper versions of financial reports, often with little attempt to enhance the decision usability of the data, providing a so called 'first generation' of online reporting (ICAEW, 2004). eXtensible Business Reporting Language (XBRL) has been designed to provide a 'second generation' of online reporting, specifically to enhance the usability of the data. Documents rendered in XBRL are digitally-enabled so that it is easier for stakeholders to extract information directly into spreadsheets, or any other XBRL-enabled analysis software, without the need to re-key data thus providing significant improvements in information flows and enhancing inter-company comparability.

XBRL consortia have spent more than 15 years promulgating the use of this technology within the business and government communities. However, despite their efforts XBRL has not become widely diffused, there is little stakeholder engagement and very few organisations have voluntarily adopted XBRL in practice.

The results of a questionnaire survey in the UK indicate that awareness of XBRL, and second generation reporting more generally, resides in key champions but there is little diffusion outside this narrow set of stakeholders. Regulatory engagement seems to be the only impetus for diffusion and better channels of communication within stakeholder networks, such as between regulators, preparers, users and the XBRL community are needed. This paper suggests that currently the supply-push for XBRL is failing to produce effective use of this technology in the UK. Greater regulatory commitment is now needed to create an impetus for XBRL such as creating tools and making publicly available, accessible, repositories of XBRL data. Unless this happens, diffusion will not occur, and the demand-pull which is now needed will vanish and XBRL will fade and die.

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1. Introduction

Internet reporting is now a widespread phenomenon, used by the majority of public limited companies, private companies and public sector entities, to distribute corporate financial information to a wide variety of stakeholders (Allam & Lymer, 2003). After an initial burst of activity as businesses explored the potential uses of this technology (Debreceeny & Gray, 1997;

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Gowthorpe & Flynn, 1997), innovative activity in financial data provision has plateaued. While innovation continues in areas such as the use of social media to improve the interaction between companies and their stakeholders (Unerman & Bennett, 2004), improvements in the nature of financial information do not appear to be keeping pace (Rowbottom & Lymer, 2009a).

The online financial reporting process currently used by businesses in the UK currently is known as ‘first level digital reporting’ (ICAEW, 2004) or ‘first generation digital reporting’ (Cobb, 2008). Reporting online in this way has enabled the dissemination of financial information to become faster and more cost-effective, but only a fraction of the potential of this technology has been achieved (Lymer, Debreceeny, Gray, & Rahman, 1999), and the second generation of digital reporting (ICAEW, 2004) should be more actively pursued to deliver on its potential (Debreceeny & Gray, 2001; Locke, Lowe, & Lymer, 2010, p. 106).

The only second generation digital reporting technology being developed is Extensible Business Reporting Language (XBRL) (Cobb, 2008; Locke et al., 2010, p. 106). XBRL enables preparers of financial reports to add fuller contextual information to individual data items by ‘marking-up’ the content with ‘tags’ that XBRL-enabled software can read, allowing the automated interpretation and use of this data on an aggregated or item by item basis. Thus online reports move beyond simply presenting financial information (first generation) to disseminating data that can be used for a wide variety of analytical purposes (Debreceeny & Gray, 2001).

XBRL has been in development for more than 15 years and has achieved a number of significant successes in facilitating the more effective communication of financial information. For example, the SEC in the USA has mandated XBRL financial report filing (SEC, 2005; 2008) and in the UK HM Revenue and Customs has mandated XBRL corporate tax filing (Mousa, 2010) while Companies House accept XBRL corporate filings (Companies House, 2008). However, the majority of these developments have been focused at improving data for regulatory filing purposes. While this demonstrates the potential of this technology for improving the distribution of financial data, these specific examples do not advance the more wide spread use of second generation-enabled data as, apart from SEC filings, the repositories are only available to the regulatory body that receives them.

The development of XBRL as an open source global initiative is overseen by XBRL International Inc. (XII) a not-for-profit organisation that produces free XBRL licensed resources, technological support and analytical tools. XII consists of a wide consortium of stakeholders including professional accounting bodies, software houses, large listed companies and the Big 4 accountancy firms. Under XII are national XBRL bodies, such as XBRL UK, with the task of engaging with their local communities to diffuse XBRL across organisations in their jurisdiction¹ (Rodgers, 2003).

However, XII and XBRL UK appear to have stalled in the diffusion process. Knowledge of a new technology amongst key stakeholders is a critical and necessary step for effective technology diffusion (Rogers, 1995; Troshani & Lymer, 2010) but several small scale surveys undertaken in the UK, (e.g. Accounting Web, 2008) suggest that this has not occurred. Familiarity with XBRL in companies is generally poor, and both preparers and users as stakeholders in the diffusion process have yet to be been convinced that their normal external reporting routines and practices can benefit from the adoption of XBRL.

The normal routines and practices of external financial reporting are often built in to management information systems which then produce outputs for many stakeholders including: investors and analysts; governments and regulators that collect data for taxation and regulatory filings; and management insiders who need to plan and monitor business performance. Such routines and practices have evolved over time, from regulatory requirements and from examining and copying the practices of other organisations as forms of coercive, mimetic or normative isomorphisms (DiMaggio & Powell, 1983). However, while the routines and practices of UK organisations have changed to encompass first generation digital reporting and social media, the only systematic use of XBRL in the UK is for regulatory purposes including corporation tax returns to HMRC and filings made to Companies House. However, neither of these two regulatory bodies make XBRL information publicly available and it is questionable whether further diffusion will occur without some change in the level of engagement with other stakeholders. If XBRL does not succeed the digitisation revolution in financial reporting will stall and the UK may be left behind in the diffusion of ‘interactive data’.²

The diffusion of innovative technologies is frequently discussed in the information technology literature as “the process by which an innovation is communicated through certain channels over time among members of a social system” Rogers (1995: 5). Although the notion of diffusion is less common in accounting circles, its use is becoming more prominent; for example, Mellett, Marriott and Macniven (2009) explored the diffusion of fixed asset accounting in the NHS in Wales, Ax and Bjornenak (2005) examined the diffusion of the balanced scorecard in Norway, while Rajagopal (2002) and Bradford and Florin (2003) focused on the diffusion of Enterprise Resource Planning (ERP) systems within organisations. Within the innovation diffusion literature stakeholder engagement and collaboration is frequently cited as an important component in the ultimate take-up of a new technology (Hall & Martin, 2009).³ Successful diffusion may be evidenced by a change in emphasis from the technical aspects of an innovation to a focus on the tools that increase functionality. Effective diffusion of XBRL may therefore only occur once businesses go beyond the technical details of XBRL and have the tools to create and use financial information in a real-time environment. This paper seeks to examine the diffusion of XBRL to key stakeholder groups in the UK.

¹ See <http://www.xbrl.org/uk> for further details on the UK based organisation including details of membership. For more details on XII see <http://www.xbrl.org>.

² ‘Interactive data’ is the term used by the SEC for its XBRL filings project to require all US listed companies to file quarterly and annual returns with it in XBRL format (<http://xbrl.sec.gov>). It uses this term to underline the nature of the difference in data use that its new requirements will produce rather than focussing on the technology (XBRL) that enables this.

³ The principles of stakeholder engagement are long established in the IT literature where the notion of participatory design with imagined and surrogate users involved in the design process, is common (Mumford, 2003).

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