Drivers and Inhibitors to XBRL Adoption: A Qualitative Approach to Build a Theory in Under-Researched Areas

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ABSTRACT

The eXtensible business reporting language is an XML-based standard, which has the potential to significantly improve the efficiency and effectiveness of intra- and inter-organizational information supply chain. In this article, we present the case for using convergent interviews as an appropriate and efficient method for modelling factors impacting the adoption of emerging and under-researched innovations, such as XBRL. Using this method, we identify environmental, organizational and innovation-related factors as they apply to XBRL adoption and diffusion. Contentious factors, such as the role of government organizations, XBRL education and training, and the readiness of XBRL as an innovation and its supporting software solutions is examined in more detail. Further, practical adoptions strategies and their implications are also discussed.

Keywords: convergent interviewing; information technology adoption; qualitative research; XBRL

INTRODUCTION

The aim of financial reporting is to communicate useful, relevant, and reliable information timely to both internal and external stakeholders of an organization. However, current reporting practices require the exchange of financial information in a variety of non-interchangeable formats including traditional print, portable document format (PDF), spreadsheets, or Web pages formatted using HTML (Doolin & Troshani, 2004). Because further processing and analysis financial information has to be carried out manually, current reporting practices are time-consuming, labor-intensive, and error-prone (DiPiazza & Eccles, 2002). Further, in their current form financial reports are opaque, in that they provide limited help to external stakeholders to verify whether management has presented a relevant and reliable view of the organization’s performance and position (Bergeron, 2003).
eXtensible business reporting language (XBRL) is an XML-based open standard, which can be used to improve the process of the production, consumption, and exchange of financial information among disparate computer platforms, software applications, and accounting standards (Hannon, 2003; Hannon & Gold, 2005; Hasegawa, Sakata, Sambuichi, & Hannon, 2003; Jones & Willis, 2003; Weber, 2003; Willis, Tesniere, & Jones, 2003). Particularly, XBRL enhances the efficiency and the effectiveness of the current practices used for generating and exchanging financial reports (DiPiazza et al., 2002). Thus, XBRL facilitates intra- and inter-organizational information supply chains and it enhances e-business collaboration and integration. Some argue that the efficiency of the entire information supply chain will be considerably enhanced when XBRL is adopted (Boyd, 2004a, 2004b) and it is expected to lead to “wondrous new financial reporting capabilities” (Abdolmohammadi, Harris, & Smith, 2002, p. 25). Further, XBRL facilitates continuous auditing, thereby maximizing the transparency with which financial information is reported while also facilitating the enforcement of corporate disclosure and accountability legislation (Pinsker, 2003; Rezaee, Elam, & Sharbatoghilie, 2001; Roohani, 2003).

As a derivative of XML, XBRL takes advantage of the “tag” notion, which associates contextual information with data points in financial statements. For example, with XBRL, the relationship between a value and the appropriate tag is established as follows: `<payroll currency="US Dollars">15000</payroll>`. Similar relationships are established between other tags and their respective values for specific financial statements such as annual reports, cash flow statement, and tax returns. When formatted with XBRL tags, financial statements are called XBRL instance documents and can be easily processed by XBRL-enabled software tools. The tags themselves are based on accounting standards and regulatory reporting regimes and are defined in XBRL taxonomies (Pinsker, 2003; Richards & Tibbets, 2002). These are developed for specific countries, accounting jurisdictions, and even specific organizations (Deshmukh, 2004; Wallace, 2001). Sometimes, multiple instance documents produced using different taxonomies need to be processed by the same software tool. Capabilities of this nature are enabled by the XBRL specification, which constitutes the technology platform determining how XBRL works. The specification is central to the operation of XBRL (Willis et al., 2003).

XBRL can benefit a wide range of stakeholders. These include individual organizations, accounting firms, investors and stock analysts, stock exchanges, and regulatory authorities (Bergeron, 2003; Deshmukh, 2004; Jones et al., 2003; Phenix, 2004). Further, as XBRL is an open standard it requires an international body, such as XBRL International1 to oversee the development of its specification. In addition, XBRL International coordinates the efforts of the local jurisdictions2 which are based on countries, regions and internationally recognized business reporting regimes (Doolin et al., 2004). Also, because XBRL is complex, software tool support is a necessity. These tools are developed by software developers and distributed by vendors. Therefore, there are a variety of stakeholders in the XBRL community.

The basic concepts surrounding XBRL and its stakeholders are summarized in Figure 1. Further information concerning the technical aspects of XBRL, including an XBRL tutorial and illustrating examples can be found in (Deshmukh, 2004; KPMG, 2005).

Extant studies have mainly focused on the expected benefits of using XBRL for financial reporting as well as on the technical mechanisms by way of which XBRL works (Abdolmohammadi et al., 2002; Bergeron, 2003; Boyd, 2004b; Deshmukh, 2004; DiPiazza et al., 2002; Doolin et al., 2004; Jones et al., 2003). Yet, negligible research has been found in the literature addressing drivers and inhibitors of XBRL adoption.

XBRL is unique as an innovation (Bergeron, 2003) which suggests that existing theories may not be readily applicable to its adoption. There is much instability in innovation research which
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