CSR REPORTING AND XBRL STANDARD ALIGNMENT DECISIVE FOR THE FUTURE OF FINANCE AND ACCOUNTING

1. INTRODUCTION

An increasing level of globalization and the resulting intense competition require companies worldwide to improve their communication with stakeholders. Presently we are witnessing a massive amount of business information, both financial and non-financial, audited and unaudited, obligatory and voluntary, that is disclosed by organizations aiming at increasing the usefulness and transparency of their activities. A special place in this informational content is taken by data concerning Corporate Social Responsibility (CSR) activities that are disclosed always more frequently all over the world. This information is usually added to the traditional financial statements, managerial commentary, governance reports, and/or intellectual capital report, in the form of CSR report, sustainability reporting or the most complex form called Integrated Report (IR), that are all examples of satellite publications complementing financial report. The problem arising from the quantity of information disclosed by companies is its complexity, lack of connection between documents published and inefficiencies of formats in which it is disclosed. Therefore, in order to make the data comparable, accessible and in the effect to create one well-organized, comprehensive and interoperated report the support of XBRL (*eXtensible Business Reporting Language*) is needed. More widespread use of CSR/sustainability reporting is linked to the more common application of XBRL for one single annual report embracing three dimensions: economic, social and environmental.

This article contributes a more detailed understanding of the complexity of the reporting system of the companies focusing on the CSR/sustainable reports. It aims also the presentation of XBRL standard as the useful tool of reporting system. Although the general concept of CSR activities, strategies and they results have often been analyzed in management research, as well as the ways of

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CSR communication to shareholders were examined in finance/accounting and marketing research, still the issues of the improvement of CSR reporting supported by XBRL standard has not been sufficiently examined. Thus, issue concerning the application of XBRL into CSR reporting is discussed in this paper. This work is based on the normative research method according to the statement of Ijiri [1975], that the purpose of the normative approach is to emphasize those areas where changes are most needed and where they are feasible. It is assumed that reporting process of companies needs improvements and hence the issues of CSR reporting and its support possible thanks to XBRL should become one of its main areas of interest of today’s management as well as finance and accounting.

2. CORPORATE SOCIAL RESPONSIBILITY REPORTING OF COMPANIES

Reporting system, as the part of accounting, is designed to reflect economic reality and provide the basis for making economic decisions. The concept of CSR seems to be crucial for the growth and expansion of enterprises and surely has a huge impact on the accounting and finance system. The proper implementation of this approaches is a challenge for the contemporary management of companies.

Financial reports are the main tool of communication with stakeholders used by companies. However, the era of simple financial reporting of profits and losses, assets and liabilities and cash flows is over. The information needs of stakeholders are much more complex nowadays. Therefore, the traditional financial reporting evolved and presently it contains much more elements disclosed by companies usually on the voluntary bases. The information published externally includes non-financial data about how organizations are managed and how they conduct their business. Users of companies’ reports are also interested in the impact of the companies on the environment, society and employees. Therefore, many companies have introduced, or start to implement, the principles of CSR that can be defined as „the responsibility of enterprises for their impacts on society” [EU 2011]. More and more companies are realizing that in order to stay productive, efficient, and competitive in a rapidly changing business world, it is necessary to become socially responsible. In the face of globalization processes, in order to protect the reputation of the products and generate profits, create a positive image of the company, and compete for skilled and loyal employees, many companies introduce CSR principles into their strategy. At the same time they wish to communicate to their corporate environment efforts taken in the field of these activities. They also want to measure, manage and communicate the cost and effects of CSR actions, no matter there is an absence of such legal requirement in the vast majority of countries.
As a response to the communications needs of CSR activities, already in early 90-ties first social reports were issued. In 1997 Global Reporting Initiative (GRI) was launched that concerned global standard guidelines on reporting of economic, social, and environmental issues called „triple bottom line“. Last years are characteristic for the increase of the CSR reports and sustainable development reports with always more attempts to combine all the satellite reports and publish one Integrated Report (IR). Ballantine J. [2009] confirms: „in the early days of CSR reporting, most non-financial reports were either exclusively environmental in focus or dealt only with philanthropy. Today, however, CSR reports are seen as increasingly strategic documents that should offer a balanced, objective and reasonable assessment of almost every aspect of a firm’s non-financial performance“.

In the past CSR reporting was perceived mainly as a way of fulfilling a moral obligation to society, today more and more companies realize that it became *de facto* law for their business. There are clear benefits for organizations that undertake quality CSR reporting. The main pros for CSR transparent communication to the outside as well as internal users of company information are presented in the table below.

<table>
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<tr>
<th>Internal benefits</th>
<th>External benefits</th>
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<td>– drives innovation and promotes learning;</td>
<td>– allows companies to demonstrate their interest in the environment, social issues and taking care of their employees, enables external stakeholders understand company’s true value</td>
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<tr>
<td>– gives chance to discovering new opportunities for business improvement and implement continuous improvement programs to result in lasting change</td>
<td>– shows how the company influence and is influenced by expectations concerning sustainable development,</td>
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<tr>
<td>– increases understanding of risks</td>
<td>– builds trust and promotes transparency</td>
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<td>– emphasizes the link between financial and non-financial performance</td>
<td>– solicits feedback on their performance from a growing number of stakeholders</td>
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<td>– directs long term management strategy and business plans</td>
<td>– mitigates negative environmental, social and governance impacts,</td>
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<td>– streamlines processes, reducing costs and improving efficiency</td>
<td>– enhances company’s image</td>
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<td>– gives a benchmark and makes possible comparisons internally and between organizations and sectors</td>
<td>– creates loyalty of clients</td>
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<td>– improves internal reporting, which presumably is leading to better decision making</td>
<td>– increases demand for the company’s products</td>
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<td>– increases share prices</td>
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*Source: own work.*
All these advantages of CSR reporting help companies grow their business and increase their organization’s financial value. Companies introducing CSR information in their reports are more focused on social and environmental issues. It is truly important for those companies to set goals, establish metrics, and then monitor progress against them and it is believed that CSR/sustainability reports will help establish processes for gathering and reporting necessary data [Leibs 2007].

Today we can observe the steady increase in the number of organizations reporting activities concerning CSR. The distinguish factor is also the scrutiny from various investment groups placed upon those firms that fail to provide information on their social and environmental performance. As it is confirmed by the international survey carried out by KPMG [2011] in comparison to 2008 the number of companies reporting on CSR in 2011 has continued to rise, „where CR reporting was once merely considered an „optional but nice” activity, it now appears to have become virtually mandatory for most multinational companies, almost regardless of where they operate around the world” [KPMG 2011]. This study mentions that 95% of the 250 largest companies in the world (G250 companies) now report on their corporate responsibility activities. On the Global Reporting Initiative website there can be found 47 reports of Polish companies. In the library of reports on the www.raportypoleczne.pl website 53 organizations running out business in Poland submitted their reports to the public. The number of organizations in Poland disclosing CSR reports is growing, following a worldwide trend.

However, a serious dilemma appears about companies’ ability to inform stakeholders about CSR activities and their results in a fair, truthful, understandable and useful way. There is a lack of a binding set of rules, thus the information published by companies on the voluntary bases is often difficult to compare and there are some controversies concerning it full fairness and credibility. However, much work is being done in order to encourage companies to be more accountable and transparent while reporting their CSR activities. There are many organizations issuing rules, recommendations and guidelines that aim at facilitating CSR reporting.

Another important issue concerning CSR/sustainable reports is the fact, that the majority of them is prepared in a manual way, by collecting data from various sources. The data gathered and implemented to these reports is partially retyped from other reports and the cost of reusability of the data is ignored. Even bigger problem occurs when the data is supposed to be used – analyzed or compared. As companies use not only different standards and guidelines of CSR report preparation, or do not use them at all, and as they count on their own sensibility of what is important to be published and what is to be ignored, they also use different formats of the information disclosed. All that makes the CSR reports information very difficult to be used in practice.
The majority of financial statements, similarly to CSR reports, although prepared in the electronic way, are stored and transmitted in the form of files in various formats (PDF, XLS, HTML, MS Word and MS Excel, formats based on XML). Financial statements are often published in paper form and still very often they are sent to interested parties by traditional mail or by a courier. It usually applies to financial statements delivered to statistic offices, tax authorities, courts and many other. This form of publication and transmission of business data is a major impediment in sharing the information disclosed in financial reports. It is also important to underline, that the above mentioned formats are static in nature and do not allow direct processing for analytical or comparative reasons. Such a variety of reporting formats do not meet the requirements of the fast and efficient access and use of data, which is dictated by the challenges of today’s economy. These problems and difficulties could be resolved by the implementation of XBRL – Extensible Business Reporting Language.

XBRL is the language of electronic communication of financial information that facilitates and speeds up reporting and data analysis. It is a standard format to represent data, which makes data sharing across different applications easier [Garbellotto 2006]. A poll of leading information technology consultants, futurists and financial officers identified it as one of the seven cutting edge technologies expected to have a large impact on business and to revolutionize corporate performance [The Futurist 2003]. It has been also identified by AICPA (American Institute of Certified Public Accountants) and FEI (Financial Executives Institute) leaders as an important initiative shaping the future of the profession [Harrington 2005]. For several years XBRL has been cited on the AICPA’s top ten technologies list [AICPA 2006].

XBRL is a specific application of XML that creates taxonomies of tags for the purpose of labeling specific pieces of data [Baue 2007]. A taxonomy is a list of tags organized into a single set, therefore a computer can recognize, select, analyze, and store information, as well as exchange the information with other computers and automatically present it into different forms [G3 Guidelines]. The XBRL financial data are presented in a way that can be read and processed by computers. XBRL specification uses the well-known and available XML technologies such as XSD schema Xlink, and it is adapted to the general principles of accounting (double-entry rule, the nature of debit and credit information reports, on a certain day in the case of the balance sheet or for the period for the profit and loss account and cash flow), and the legal requirements for financial reporting, such as the national Laws on Accounting and International Account-
ing Standards/International Financial Reporting Standards and Generally Accepted Accounting Standards. It should be noted that XBRL is an extensible language and can be adapted to the requirements of accounting adjustments relating to financial reporting. It also gives the opportunity to apply specific accounting methods/rules in different countries, sectors or specific companies.

XBRL provides an interactive description of the financial information, so that users can prepare and analyze the data according to their needs. It eliminates the need for multiple data entry, transfer and comparison, so it reduces time and effort needed to prepare the expected statements, and therefore makes the whole process of obtaining the relevant information easier and cheaper. XBRL improves the way information is created, processed, distributed and analyzed by providing standardized definitions, labels, calculations, references and contexts applicable to individual numbers and narrative text [IR Prototype Framework, 2012]. Through the use of XBRL standard in business reporting it is possible to exchange information between registers, effectively analyze and compare data, get direct access to information on individual groups of information. Reporting becomes more transparent. In addition, XBRL allows significant reduction of the administrative burden arising from the transfer of data to the registers. All this lowers operating costs of companies. From the point of view of investors, the use of XBRL for business data discloser makes the access faster and easier and allows greater comparability therefore analysis are less expensive and more efficient. It should also be noted that XBRL may be useful in the management accounting as well, it allows for a significant reduction in the risk of errors in the preparation of internal reports of the company [Hannon 2002] and improves quality of data.

Potential beneficiaries of XBRL are:

– government authorities involved in the collection, storage and analysis of financial data;
– public authorities responsible for the control;
– stock exchanges and enterprises engaged in processing all types of financial data;
– accountants, auditors, managers, financial analysts, investors and companies from the investor relations and lenders sectors (banks, leasing companies)
– that are processing and analyzing business data.

XBRL is a widely accepted format that gives users more flexible access to reports’ content. Standardized data that is more reusable can serve more purposes simultaneously. The aim of XBRL is exactly to improve the communication of financial and business information, allowing a seamless flow of data across computers and thus facilitating the sharing of data by the users [Valentinetti and Rea 2011]. XBRL is preferred as a standard format by regulators, but also by companies that use it on a voluntary basis [Bonsón et al. 2009].
4. HOW TO INCLUDE CSR INTO XBR

XBRL should answer the business needs of increased information content of reports disclosed by companies. One of this challenges is CSR reporting. The majority of CSR and Integrated Reports are still entirely in the paper or PDF format. It is necessary that CSR/IS reports take advantage of the emerging technologies linking all the information disclosed by company and facilitating access to that information online whenever it is appropriate. The tool to make it possible is XBRL.

Accountants have been forced to adapt swiftly to the technological change, which includes real-time reporting and XBRL [How accountants figure..., 2002]. One of the first initiatives promoting unification of formats of CSR reporting and making them comparable was the action taken by the Global Reporting Initiative (GRI). GRI is a very important non-profit network-based organization that promotes economic, environmental and social sustainability. GRI provides companies with a comprehensive sustainability reporting framework that is widely used around the world. This organization proposed a general framework for companies implementing sustainable reporting and in 2006 it released the first version of an XBRL taxonomy for the third generation of its framework [G3Guidelines]. Following substantial work initiated internationally to create common taxonomies for mainly financial information on business, GRI with partners worked out XBRL taxonomy for non-financial performance data that can balance other taxonomies. The new project on XBRL taxonomy (GRI Taxonomy Project) was announced by GRI in June 2011, that through cooperation with Deloitte was expected to result in the development of a new format for exchange of CSR/sustainable data; one that would help investors, auditors and analysts to publish, use and analyze information in sustainability reports more quickly and easily [Hrebicek et.al. 2012]. In fact, the new taxonomy for sustainability reporting has been released on March 8th, 2012. This taxonomy, developed for both G3 and G3.1. Guidelines, is an industry-specific categorization scheme that defines and „tags” data in relation to its purpose, framework or outline and it enables users to uniquely tag and identify individual detailed reporting elements which can be easily shared electronically [www.globalreporting.org]. In the GRI taxonomy every data element that is reported has: a unique tag, data type definition, labels, multiple languages and types, and a reference to its location in the GRI Guidelines. The GRI taxonomy has more than 1000 reportable data elements that are divided into 8 main categories: strategy and profile disclosure, economic category, environmental category, labor practices and decent work category, human rights category, society category, product responsibility category, and attachments. This taxonomy is aligned with taxonomy development approaches used by financial accounting bodies (IASB and FASB). It is
free to public and is dedicated to all sustainability reporters. The new GRI Taxonomy is supposed to help report users – including regulators, investors, auditors and analysts – find and analyze sustainability information in a faster and more simple way. It should also help reduce reporting burden, lower costs and improve control.

The need for XBRL support in Integrated Reporting was also expressed by the International Integrated Reporting Committee (IIRC) – the first international organization that has aimed to play the role of systematizing corporate reporting. It has brought together world leaders from the corporate, investment, accounting, securities, regulatory, academic, civil society and standard-setting sectors to develop a new approach to reporting that could meet needs of 21st century [IIRC 2011]. This organization in November 2012 published the Integrated Reporting Prototype Framework, in which it underlines: Advances in technology enable innovative approaches to reporting that are particularly relevant to the application of the Guiding Principle, „Connectivity of information”. Organizations are encouraged to use technology platforms to increase connectivity within the integrated report and to information outside of the report, and to facilitate comparisons between reports. Technology, such as the Internet, eXtensible Business Reporting Language (XBRL), and social media can play an important role in <IR> if used properly. Explanations on how XBRL technology may be used in CSR/IR reporting are included in the following paragraphs of this framework.

One of the first global institutions to promote the use of the XBRL standard for the preparation and disclosure of CSR reporting was AECA – Spanish Accounting and Business Administration Association (Asociacion Espanola de Contabilidad y Administracion de Empresas). This organization worked out the internationally recognized taxonomy and an online repository with real XBRL instances created by both listed corporation and SMEs [AECA 2011]. AECA has published a proposal for Key Performance Indicators and Integrated Scoreboard Taxonomy. The proposed indicators have different layers and they enable the measurement and description of companies’ performance from different perspectives. They refer to flow versus stock data, describe companies from historical versus prospective perspective, contain quantitative versus qualitative data. One group of proposed indicators is to be reported by the company, other group contains information about company but should be reported by its stakeholders. Basic frames for KPIs are ordered by nature, concerning following fields of business activity: Financial, Environmental, Social, Corporate Governance, Composed Complex Integrated Frame: where the values of composed and complex indicators are reported. Taking into consideration complexity of the indicators created for the XBRL use, AECA proposes:

– basic indicators; they are expressed in absolute value, and belong to the financial, social, environmental or corporate governance areas,
– composed indicators; they belong to any of the four specific areas but are expressed in the relative terms, once divided by a reference of its area (i.e., revenue for financial indicators),
– complex indicators; put in relation drivers from different areas (i.e., financial versus environmental ones).

XBRL is intended to standardized disclosure of CSR reporting to promote transparency as well as to increase the quality and improve comparability of the information published in CSR reports.

5. SUMMARY

Currently companies cannot only express their standing and outcomes only through the traditional financial statements. Users of information on companies activities and performance ask for more in-depth information necessary for the proper decision making process in globalised and more competitive world. Moreover, the access to the information must be easy and quick and must give the option of easy comparisons. That all makes companies disclose more complex information, also non-financial, concerning all the areas embraced by the concept of triple bottom line and in the same time it makes the XBRL a very important tool of data processing and publication.

XBRL, which will presumably have an impact on the accessibility of financial reports, easier regulatory compliance, enhanced availability of financial reports, facilitation of continuous reporting, and improved efficiency in investment and business decision-making in the near future [Baldwin and Trinkle 2011] is supposed to take an important place in the development of unified and easily accessible Integrated Reporting. The implementation of CSR concept into XBRL have made it possible to exploit the functionalities of the standard to its greater potential. The use of XBRL should promote a more automatic approach to CSR/sustainability reporting [Leibs 2007]. It should also increase data distribution efficiency, increase confidence in report reliability, and enhance data creation, aggregation, and sorting (Tag – you’re it!, 2007). It is expected, that with the urgent requirement for EU integration and along with the emergence of proposals such as those from GRI, IIRC and AECA, XBRL will provide concrete and tested solutions for a more efficient reporting environment [Gonzalbez and Rodriguez 2012]. Thanks to the significant input of Spanish Accounting Business Administration Association that proposed the XBRL taxonomy for Integrated Reports, GRI initiative and IIRC works, all based on the latest technical advances available, a big step ahead in the evolution of reporting and its accessibility has been taken. It is a challenge for the future of finance and accounting of business units. After a period of testing and improvements in the
taxonomies and works concerning their unification, a worldwide process of implementation is expected that could bring more efficient communication with their stakeholders and more rational economic decisions. It could also allow to take advantages of the information and communication technologies offered to the business nowadays.

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This paper concentrates on the current trend in companies reporting concerning the publication of a satellite report on CSR and the possibilities of its inclusion into XBRL system as one of the principal issues decisive for the future of finance and accounting. The necessity of a practical alignment of business with ICT is underlined. This work contributes to a more detailed understanding of the essence of CSR reporting and presentation of XBRL standard as the useful tool of reporting system. It underlines utilization of information and communication technology advances on the example of XBRL taxonomy.

ZASTOSOWANIE STANDARDU XBRL W RAPORTOWANIU CSR DECYDUJĄCE DLA PRZYSZŁOŚCI FINANSÓW I RACHUNKOWOŚCI

W artykule tym skoncentrowano się na powszechnym dziś trendzie publikowania satelitarnego raportu CSR oraz możliwości włączenia go do systemu XBRL i przyjęto, że jest to kluczowe zagadnienie dla przyszłości systemu finansów i rachunkowości. Opracowanie to przyczynia się do bardziej szczegółowego zrozumienia istoty raportowania CSR oraz zaprezentowania standardu XBRL jako użytecznego narzędzia systemu raportowania przedsiębiorstw. W artykule podkreślono wykorzystanie ICT na przykładzie taksonomii XBRL.