

Improving the Decision-Making Process and Transparency of Corporate Governance Using XBRL

Claudiu Brandas

Abstract—Several recent studies have shown that the transparency of financial reporting have a significant influence on investor's decisions. Thus, regulation authorities and professional organizations (IFAC) have emphasized the role of XBRL (eXtensible Business Reporting Language) and interactive data as a means of promoting transparency and monitoring corporate reporting. In this context, this paper has as objective the analysis of interactive reporting through XBRL and its use as a support in the process of taking decisions in corporate governance, namely the potential of interactive reports in XBRL to increase the transparency and monitoring process of corporate governance.

Keywords—Corporate Governance, decision, financial reporting, transparency, XBRL.

I. INTRODUCTION

IN the context of the current financial crisis, Corporate Governance is a key concept for the economic science research. The Corporate Governance System can be seen as a complex system of regulations, procedures, monitoring and evaluation methods, processes and relationships between system actors [1]. Also, this system is focused exclusively on decision making processes and data flows between shareholders, board of directors, audit committees and management. Thus, in this system we can identify a number of interest groups that have various roles in corporate governance [2], [3], [4]. These groups interact in complex processes that can affect the performance of the company and its market position. A problem that can be raised regarding integration and optimal functioning of these processes is that of informational support [5]. Good corporate governance for both actors and processes needs an integrated information system to process and provide accurate and real time information to all stakeholders in the corporate governance systems [6]. At the same time, this support should be a collaborative one.

Currently, a number of studies have shown that the transparency of financial reporting have a significant influence in investor's decision [1]. In this context, the use of information technology (IT) can be viewed as a real support in order to ensure good corporate governance [6]. Information technologies could lead to an increase in efficiency for the corporate governance systems, by reducing information asymmetry within the agency relationship, offering a real and

permanent support to the principal. Also, it could ensure increasing the efficiency of corporate governance systems, by ensuring support for monitoring and evaluating corporate governance in order to optimize and increase its performance. Recently, regulation authorities, professional organizations and financial reporting standards have emphasized the role of XBRL (eXtensible Business Reporting Language) and interactive data as a means of promoting transparency and monitoring corporate reporting [7].

To develop a culture based on responsibility and accuracy is required the re-orientation of how information is produced, verified and submitted. So for most companies the use of XBRL technology will be the most appropriate way to impose a necessary rigorous reporting framework [8]. In this context, most regulation authorities are working to ensure business support for information users. For example, a U.S. public company is required to provide a public management report regarding the internal control of the company [7].

Analyzing current literature we can say that, as most authors, information technology can provide increased effectiveness of corporate governance systems by ensuring transparency and support for monitoring and evaluation of Corporate Governance to optimize it's performance and growth [9], [10], [11].

XBRL (eXtensible Business Reporting Language) can be characterized as:

- a language for describing and communicating electronic the financial data of a company (<http://www.xbrl.org>);
- it belongs to the XML (Extensible Markup Language) family;
- through labeling standards ("tags") of financial information it allows to identify and direct rendering them in any computer system;
- represents "a barcode system for financial reporting" (KPMG).

Benefits of using XBRL can be summarized as follows:

- significantly reduce the costs of obtaining and analyzing information published by companies by eliminating incompatible formats of reports [12];
- allow all users (including non-professional) of financial information to integrate and analyze various reports so they can take the right decision [13].
- helps to ensure transparency and standardization of financial information in the GC [7].

This paper focuses on analyzing, through XBRL, the interactive reports and their use to support decision making in Corporate Governance (CG) and the potential of interactive

C. B. is with the Business Information Systems Department, West University of Timisoara, 16, J.H. Pestalozzi, 300115, Timisoara, Romania (phone: 0040-256-592506; fax: 0040-256-592500; e-mail: claudiu.brandas@feaa.uvt.ro).

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Claudiu Brandas is Associate Professor, PhD, at the University of the West Timisoara, Faculty of Economics and Business Administration, Department of Business Information Systems and Statistics. He earned his PhD from "Babes-Bolyai" University of Cluj-Napoca, the Faculty of Economics in Decision Support Systems conception and design. Currently, his research interests include DSS (Decision Support System), Business Intelligence, Collaborative Systems, Business Information Systems Analysis and Design, Business Process Modeling, Information Systems Control and Audit and Software Project Management.