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Transforming Transparency

by

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PATRICK QUINLAN HAS NOT RECEIVED ANY FEDERAL GOVERNMENT GRANTS OR CONTRACTS
RELEVANT TO THE SUBJECT MATTER OF THIS TESTIMONY.

Transforming Transparency

The role of standards-based reporting

We all love to spend money - especially when it isn't our own. When we spend our spouse's or our company's money we do it knowing that it will be accounted for. Generally, all it takes is a review of a bank statement or the approval of an expense report. The results of the spending are tangible – new clothes, a new PC on a desk, or a new car in the lot. In essence, spending at this level is largely transparent.

Governments also love to spend money. That's how they achieve their manifesto objectives and repay the trust of the electorate. It's a big part of the job: spending taxpayer money – our money – on our behalf. The challenge is that the sums are so huge and the effects so unpredictable that the potential for waste and even abuse is unavoidable. And that's why Governments, above all, must be paragons of transparency.

The Start Point

As technology continues to evolve, as more local events have global consequences, and as data becomes a commodity just as important as money, transparency is crucial in order to keep up, let alone to make things better. A new generation of information consumers is coming to demand and expect it. But to deliver true transparency, specifically transparency people can trust, the concept itself needs transforming – especially at the Government level.

Transforming the idea of transparency requires an understanding of three important questions:

- Why transparency matters
- How to communicate transparency
- How to ensure that transparency engenders trust

With these three questions providing the framework, the briefing concludes with some recommendations as to how transparency can be transformed using standards-based reporting.

Transparency Matters

In 2009, the government of the United Kingdom (UK) suffered a constitutional crisis. When the media began leaking Member of Parliament (MP) expenses, taxpayers suddenly became aware that some of their elected officials were spending taxpayer money on duck ponds, trips they never took and refurbishment of homes they didn't live in. This incident directly contributed to the incumbent Government losing the next election and prison sentences for the worst offenders.

The real loser was a venerable democratic system that was shown to have been 'hiding' these misdeeds and, behind closed doors, revelling in the opacity of the system. Trust in UK politicians hit an all time low (Park, Clery, and Bryson 185). Political pundits had a field day. If not for the 'stiff upper lip', we might have seen events in the UK like those we see daily from the Middle East. Yet if transparency of MPs expenses had been in place, as it is now, all of this could have been avoided.

On the opposite side of the spectrum from the negative impact of lack of transparency in Western democracies is the positive impact of access to transparency in more restrictive political systems. The recent events in the Middle East have shown just how positive an impact transparency can have in helping to bring about changes that have the potential to directly transform the lives of millions of people for the good (Isaacson, “From Samizdat to Twitter”). This is the kind of impact that is at the heart of the democratic system.

The ‘data revolutionaries’ in these countries realized that communicating just small snippets of data through a standard channel— Tweets on Twitter - could help their cause by drumming up global support and funding.

The transparency that was enabled by a standard, global communications mechanism directly impacted the revolutionaries’ ability to transform their countries, their own lives, and the world’s perspective on what was possible.

Make no mistake: Transparency matters to all of us.

Communicating Transparency: Collect, Connect, Communicate

The mere existence of transparency is meaningless if it’s undiscovered. That’s why the Internet has such a key role to play in transparency – it is a primary communication channel and the natural enemy of opacity. Without the Internet, the data revolutionaries of the Middle East would never have been able to use Twitter. We witnessed that the positive potential of transparency was literally shut down when some governments ‘switched off’ access to the Internet.

Making information available on the Internet is nothing new but it’s an essential part of the DNA of transparency. It’s obvious that the Internet enables both the automated collection and the automated communication of data. What’s often forgotten is that the Internet facilitates the automated connecting of data, which is where the most powerful, intelligent information usually comes from.

For example, the S.E.C. already collects financial information in an automated way (via XBRL) and communicates that data in an automated way (via an RSS feed). But the real value of the S.E.C. data to information consumers is in connecting it with other relevant data, *especially if it all uses the same standardized format*, to derive new and interesting information (“Interactive Data to Improve Financial Reporting”).

Imagine what might have happened if regulation existed to enable the connection of specific aspects of British Petroleum’s (BP) financial data on their Gulf of Mexico rigs with data about the potential impact of oil spills in the region, adding data about tax breaks given to oil and gas companies and other relevant sector data (Rogoff). Someone, out there in the ‘cloud crowd’, would have been able to compare BP’s data ‘position’ to that of other drillers. And maybe as a result of the discovery, BP’s license to drill would have been suspended or at least questioned, avoiding or mitigating a major man made environmental catastrophe,

However, using the Internet to communicate transparency is not just about setting up yet another ‘silo’ website, populated with ‘silo’ reports and ‘silo’ charts. Yes, these sites can collect and communicate specific, isolated data but they often can’t help information

consumers easily connect data and derive optimum value from this basic level of ‘collect and communicate’ transparency.

For that you need another level of trust that depends on reassurance about the data itself.

Trusting Transparency

Transparency engenders trust. If you understand more about what a person, business or Government is doing, you are likely to trust them more than if you don’t. But how do you trust the data that transparency delivers?

Websites like *Recovery.gov* collect and then communicate data in the form of exception and comparison reports, charts and mobile apps. They were created as proposed beacons of transparency - yet they continue to operate as transparency siloes.

Without standardizing the format of the data available from the vast range of initiatives that *Recovery.gov* tracks, it’s cumbersome enough for the organization itself to make data connections- let alone for the street information consumer. And how do we know the data they are using to compile these reports and charts actually means what we think it means? In other words, can we really trust even this level of transparency?

The only way to trust readily available data is for there to be a level of veracity below the surface of the report or chart: data-centric trust rather than document-centric trust. You can always visually present information any way you want in a document. A document acts as a medium, but it does not necessarily make the data it communicates trustworthy. Using an agreed global standard as the basis for the data presented in a document means you can drill down from a report or chart number to find the definition behind the scenes.

Reports and charts that leverage a data-standard, like XBRL, add another level of reassurance to transparency. If you know that a piece of data tagged using XBRL is being used in report A and in report B, you can also ascertain that it means the same thing in both regardless of how it is actually presented in the report, chart or narrative (“Enhance Comparability”). And you can quickly verify your assumption because the ‘definition’ of the data – the tag - travels with the data itself, wherever it is used. That’s the real value-add of standards-based reporting from a transparency perspective.

Using XBRL to standardize transparency at the data level is one way to engender even greater trust. In the USA, and in many other jurisdictions around the world, regulators like the S.E.C. have taken the first steps to kick start not only greater transparency but also greater trust in the data by mandating the use of an agreed data standard based on XBRL.

So How Do We Transform Transparency?

Transparency is not just about bringing data to the surface – by collecting and communicating it – it’s also about connecting the dots. It’s about providing the technology and tools to allow the ‘wisdom of crowds’ to be given the opportunity to function. It’s about technology and tools that depend on the use of standardized data to function effectively and efficiently.

But technology and tools can't deliver everything on their own. The vision of 'intentional transparency' also depends on new ways of operating and approaching transparency at lower levels of granularity.

Today, a typical modus operandi for a Government would be to support some new spending initiative with an Internet 'microsite,' a site to inform the electorate and help them track the progress of the initiative. This is laudable in intention but in practice simply creates yet another brick in the silo wall.

Intentional transparency requires the process to change so that every initiative launches with its own mini XBRL taxonomy to underpin the new microsite. The purpose of the site is not just to present data but to actively encourage the sharing of data – social media style.

Data collected *at the initiative level* leverages this taxonomy to standardize the input; Data communicated by the initiative is output to the world in 'tagged' format. Ready for consumption by the online technology tools that know how to collect, combine, connect and compare this standardized data either automatically or semi-automatically.

Initiative-level data standardization means there's no need for massive, time-consuming global committees to decide what the standardized data should look like and define the taxonomy. It's not that big a task. By attacking the problem at the initiative level, we can apply 'agile' principles to data standardization, climb the problem alpine style, manage the miniature and let the big picture surface from it.

This approach on its own would make *Recovery.gov*, and many sites like it, much more powerful information generation tools. These silo websites become dramatically more useful in playing their role in connecting the dots when the data is no longer proprietary. Data itself is democratized so everyone from mom and pop to industry analysts can apply their needs and skills to the data, to combine and connect it in ways that makes sense to them.

We've seen some of this in the UK where *data.gov.uk* offers over 6000 datasets for information consumers to collect, connect and communicate data. An ecosystem of apps is developing around these datasets as individuals and companies take advantage of the transparency and data availability that the site offers (Shadbolt, "A year of *data.gov.uk*"). The media has also latched on to this data transparency. Quality daily newspapers such as *The Guardian* are regularly tapping the data to provide stories and charts that help to communicate how democracy is working in the UK.

Over in Australia, the Standard Business Reporting (SBR) initiative is delivering on the promise of standards-based reporting to offer businesses, *a streamlined approach to meeting the various reporting requirements of different government agencies throughout Australia* (Foo, "SBR Goes Live").

Over time, this effort to collect business data in a standardized way across multiple agencies will allow the Australian Government to communicate information based on trustworthy data. Australian information consumers and business will benefit from the analysis tools built to leverage a new kind of information infrastructure based on standardized data.

Call to Action

The U.S. Government operates one of the world's largest, if not the largest, data warehouses in the world. It's a warehouse that grows dramatically every year but the inventory is stuffed full of raw materials (*data*) rather than finished goods and products (*information*). In reality, no business could operate this way.

The lack of information products means that consumers get no value from the raw material data being hoarded: You can't generate productivity and profit from products you can't use. Innovation is being stifled and knowledge economy jobs restricted.

The US knowledge economy in the post-manufacturing age is literally missing one of its most important players. It's as if all the major utilities simply hoarded their electricity cutting off power from millions of homes, rendering all kinds of electronic devices useless and leaving the occupants to wander around in the dark.

And just how long will this be allowed to continue?

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