AN ANALYSIS OF THE CHARITABLE GRANTING SECTOR MARKET FOR XBRL CONSULTING SERVICES

By

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ABSTRACT

PricewaterhouseCoopers (PwC) is examining new markets for its extensible Business Reporting Language (XBRL) consulting services unit. XBRL is a web-based programming standard that prepares, publishes and exchanges financial statements. This analysis examines suitability of the charitable granting sector as a new market for XBRL consulting.

The charitable granting sector comprises large granting agencies distributing non-repayable funds to organizations applying for grants. BC Lotteries and the Vancouver Foundation are examples. This analysis examined the suitability of using XBRL in "transaction models" used by granting agencies to evaluate incoming grant applications.

Sixteen agency and charity representatives were interviewed. The interview results provided the basis for the market entry recommendation for PwC. This analysis determined the new market to have only "moderate" fit for XBRL consulting services. The concluding chapter recommends a delayed market entry strategy for PwC and discusses tactics to improve strategic fit of XBRL consulting services in this market.

Key Words: Emerging industry, XBRL, XBRL consulting industry.
To My Wife Cheryl

Thank you for everything.
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1 INTRODUCTION

This analysis looks into the business case and technical fit of introducing XBRL consulting services to the British Columbia charitable granting sector. The introduction chapter outlines the rationale of this analysis and its strategic objective.

1.1 Rationale of this Analysis

The Vancouver, BC office of PricewaterhouseCoopers (PwC) has requested a strategic analysis to examine a new market for its eXtensible Business Reporting Language (XBRL) consulting services. XBRL is a web-based programming standard that assists organizations in publishing its financial information and adds greater searching and analytic capabilities to archived financial reports.\(^1\) The target market that is being examined in this analysis is the charitable granting sector in British Columbia.

1.1.1 Defining the Target Market

The charitable granting sector refers to the distribution of non-repayable financial grants from granting agencies to charities. Most granting agencies have structured “transaction models” managing this distribution. This analysis examines the business case and technical suitability of applying XBRL to manage the backbone of those “transaction models.”

1.1.2 Defining the Clients

The prospective clients for XBRL consulting services are granting agencies that manage the “transaction models.” Granting agencies are organizations that regularly disperse non-repayable grants to charities. They include organizations such as the Vancouver Foundation, United Way, VanCity Foundation and the BC Lotteries. This analysis refers to granting agencies as clients. Chapter four of this analysis profiles granting agencies in more detail. Chapter five profiles a sample granting agency “transaction model.”

1.1.3 Defining the End-Users

This analysis refers to charities that apply for grants as the end-users of an XBRL-enabled “transaction model.” Big Brothers and Literacy British Columbia are two examples of charities that receive part of their operating budget from non-repayable grants. Chapter six in this analysis profiles charities and their role as end-users.

1.2 Strategic Objective of This Analysis

The objective of this analysis is to examine the target market as a business opportunity for PricewaterhouseCoopers.
2 PROFILE OF THE SPONSOR OF THIS ANALYSIS

This chapter profiles PricewaterhouseCoopers, who agreed to act as sponsor for this analysis. It provides an overview of the company and its XBRL consulting services business unit.

2.1 About PricewaterhouseCoopers

PricewaterhouseCoopers (PwC) is a global professional services firm, formed from the 1998 merger of Pricewaterhouse and Coopers & Lybrand. Prior to the merger, Pricewaterhouse was an accountancy firm, and Coopers & Lybrand was a management consulting firm. Each of the predecessor firms have respective histories dating back to the 19th century.

PwC is one of the top 100 largest employers in the world, maintaining operations in 148 countries and employing roughly 130,000 people. The company is a privately

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held entity, which is surprising given its massive size. PwC reported worldwide annual revenues of $20.3 Billion in 2005.5

2.1.1 PricewaterhouseCoopers in Canada

PricewaterhouseCoopers has 3,400 employees in 24 different locations across Canada. Its national headquarters is in the Toronto Financial District. Its British Columbia headquarters is located at PricewaterhouseCoopers Place in Downtown Vancouver, with an additional office located in Surrey, BC.6 Macleans Magazine named PwC one of its top 100 employers in Canada in its annual employment market survey in 2005.7 PwC provides a workplace that encourages physical fitness and work/life balance – considered a rarity among large professional services firms.8

2.2 PricewaterhouseCoopers Canada and XBRL

PricewaterhouseCoopers Canada splits its operations into four business units: auditing and assurance services, advisory services, tax services and private company services.9 eXtensible Business Reporting Language (XBRL) consulting services are located in PwC’s private company services business unit.10 PwC has been a trailblazer in

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the development of the XBRL standard. It has a large number of staff with experience in XBRL, and the company co-sponsors XBRL conferences and events.\footnote{PricewaterhouseCoopers, "Achieving Straight Through Reporting Via XBRL Web Services," PWC Global Home, http://www.pwc.com/extweb/service.nsf/docid/b9090174497ba8525bf10038d5d7.}

The primary market for PwC’s XBRL consulting services is the financial reporting industry. PwC assists companies in the technical preparation of their financial reports by converting them to the XBRL standard. Once converted, the data contained in those reports is shareable across multiple systems. Table 1 shows the six stages of a typical XBRL client/consultant engagement.

<table>
<thead>
<tr>
<th>Table 1 XBRL Consultant/Client Engagement Stages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage in the Client/Consultant Relationship</td>
</tr>
<tr>
<td>Stage One</td>
</tr>
<tr>
<td>Stage Two</td>
</tr>
<tr>
<td>Stage Three</td>
</tr>
<tr>
<td>Stage Four</td>
</tr>
<tr>
<td>Stage Five</td>
</tr>
<tr>
<td>Stage Six</td>
</tr>
</tbody>
</table>

Source: Based on personal interview with Alastair Nimmons\footnote{Alastair Nimmons, Personal interview (Vancouver, BC, August 26, 2006; Author's notes).} and Corefiling Limited.\footnote{Corefiling Limited. “Straightforward consulting, Advisory & Implementation Services.” Corefiling, http://www.corefiling.com/services.}

Most of the stages in the relationship are in chronological order, depending on the size and scope of the client. For PwC, the most profitable engagements are those that reach the sixth stage. Engagements in the sixth stage are normally on a retainer basis.
rather than a fee-for-service basis, indicating a constant stream of stable, certain cash-flow.

2.3 Chapter Summary

This chapter discussed the project sponsor and their XBRL service offerings, and a typical XBRL consultant/client relationship. The next chapter profiles the XBRL standard in much further detail, including its history, capabilities and constraints.
3 PROFILE OF EXTENSIBLE BUSINESS REPORTING LANGUAGE

This chapter provides an overview of eXtensible Business Reporting Language (XBRL). It outlines the history of XBRL, its capabilities as a business tool, the business case for purchasing XBRL consulting services, and the criticisms of the XBRL standard.

3.1 A Definition of XBRL

Strictly defined, XBRL is "an open-source independent, international standard for the timely, accurate, efficient and cost-effective electronic, storage, manipulation, repurposing, and communication of financial and reporting data."\(^\text{14}\) XBRL’s parent language is Extensible Mark-up Language (XML). XML is a tool that adds meaning to data and processes it as information.\(^\text{15}\)

3.2 XBRL’s History

Charles Hoffman, an American Certified Public Accountant (CPA), created XBRL in 1998. Mr. Hoffmann was technically astute and familiar with the capabilities of the technology’s parent language, eXtensible Mark-up Language (XML). Mr. Hoffman

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recognized a need to standardize a web-based language for financial reporting.\textsuperscript{16} Prior to XBRL, there were several types of web-based financial reporting languages emerging. The rational behind XBRL was that it could standardize those incompatible programming languages.\textsuperscript{17}

Mr. Hoffman and a task force of CPAs designed the initial prototypes of XBRL in early 1999. By late 1999, several consulting companies became interested in XBRL, and began to invest in the development of the XBRL standard. In July 2000, the first specification, XBRL 1.0, became available.\textsuperscript{18} Currently, most XBRL consultants are using specification XBRL2.1.\textsuperscript{19}

Table 2 displays key dates in the development of XBRL.

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>XBRL is conceived</td>
<td>Apr. 1998</td>
</tr>
<tr>
<td>XBRL prototype is released</td>
<td>Dec. 1998</td>
</tr>
<tr>
<td>Initial business plan is drafted</td>
<td>June 1999</td>
</tr>
<tr>
<td>Initial specification (XBRL 1.0) is released</td>
<td>July 2000</td>
</tr>
<tr>
<td>First XBRL International conference is held in London, England</td>
<td>Feb. 2001</td>
</tr>
<tr>
<td>Second specification (XBRL 2.0) is released</td>
<td>Dec. 2001</td>
</tr>
<tr>
<td>Sarbanes-Oxley Act passed in the United States</td>
<td>July 2003</td>
</tr>
<tr>
<td>Current specification (XBRL 2.1) is released</td>
<td>Dec. 2003</td>
</tr>
<tr>
<td>First Canadian company to file reports in XBRL</td>
<td>Jan. 2004</td>
</tr>
<tr>
<td>US Securities and Exchange Commission (SEC) allows for voluntary financial report filing with XBRL</td>
<td>Feb 2005</td>
</tr>
<tr>
<td>XBRL is launched in China</td>
<td>Sept. 2005</td>
</tr>
<tr>
<td>SEC announces it will use XBRL to upgrade their historical database</td>
<td>Sept. 2006</td>
</tr>
</tbody>
</table>

Source: Based on XBRL International’s History Section\textsuperscript{20} of their Website and the US SEC.\textsuperscript{21}

\textsuperscript{18} Neal Hannon, "XBRL Fundamentals," Journal of Strategic Finance 86, no. 10 (April 2005), 57-58.
3.2.1 XBRL and the Sarbanes-Oxley Act

In 2002, the Sarbanes-Oxley Act (SOx) became law in the United States. This legislation is in response to several high-profile American corporate accounting scandals, including Enron and Tyco. The law demands stricter controls on public companies financial reporting, and more immediate information updates to regulatory bodies.

The XBRL standard assists companies in becoming Sarbanes-Oxley compliant. As discussed in the next section, XBRL’s capabilities include greater data drill-down and discovery, and expedited information flow to regulatory bodies. This allows regulators better access to information, and reduces the likelihood of audits or investigations due to missing information.

The introduction of SOx acted as a catalyst in the development of the XBRL consulting industry. Following the passage of SOx, many of the world’s largest professional services firms began to offer XBRL consulting services, including PricewaterhouseCoopers.

3.3 XBRL’s Capabilities

As the name suggests, eXtensible Business Reporting Language is not the easiest concept to explain. XBRL International, the global consortium of XBRL experts, provides an effective description of the capabilities of the technology.

"The idea behind XBRL, eXtensible Business Reporting Language, is simple. Instead of treating financial information as a block of text - as in a standard internet page or a printed document - it provides an identifying tag for each individual item of data. This is computer readable. For example, company net profit has its own unique tag. The introduction of XBRL tags enables automated processing of business information by computer software, cutting out laborious and costly processes of manual re-entry and comparison. Computers can treat XBRL data "intelligently": they can recognise the information in a XBRL document, select it, analyse it, store it, exchange it with other computers and present it automatically in a variety of ways for users. XBRL greatly increases the speed of handling of financial data, reduces the chance of error and permits automatic checking of information. XBRL can handle data in different languages and accounting standards. It can flexibly be adapted to meet different requirements and uses. Data can be transformed into XBRL by suitable mapping tools or it can be generated in XBRL by appropriate software."25

In business terminology, XBRL is a knowledge management tool. It enables the collection of unconnected pieces of important data. This allows for faster, more informed data manipulation, enabling stronger information flow and data analysis. For example, take an MBA student doing a study of the financial health British Columbia’s mining industry. They would have to search all mining company’s websites for the financial information contained in their annual reports, then manually copy and paste their financial information. This would be a slow and tedious process. However, if that

information was converted to the XBRL standard, all the student would have to do is search for the following tags: “Mining; British Columbia; Net Income.” This information would appear instantly, saving several hours of wasted search time.

3.4 Making the Business Case for XBRL – An Industry Example

This section provides an illustrative case study of the effectiveness of XBRL. In 2003, The US Federal Finance Institution Examination Council (FFIEC) was an early adopter of XBRL. The FFIEC is a US government oversight body of the American banking system. The FFIEC regularly receives and transfers financial information from third-parties, making it a good test of the benefits of the XBRL standard. The FFIEC has released data about the cost-effectiveness of using XBRL versus their financial reporting operations before it incorporated XBRL. Table 3 summarizes this information.

Table 3  FFIEC’s Benefits of Using XBRL

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Old System</th>
<th>XBRL-Enabled System</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Data Processing Cost</td>
<td>$65 Million</td>
<td>$39 Million</td>
<td>$26 Million in savings.</td>
</tr>
<tr>
<td>(internal estimate projected over 10 years)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data Processing Time</td>
<td>60 Days</td>
<td>2 Days</td>
<td>58 Days in reduced processing time.</td>
</tr>
<tr>
<td>Data Sources</td>
<td>Multiple sources</td>
<td>Single source</td>
<td>Streamlined operations</td>
</tr>
<tr>
<td>Data Errors</td>
<td>Estimated 18,000</td>
<td>0 errors</td>
<td>XBRL system is structured to automatically reject errors</td>
</tr>
<tr>
<td>Software Updates</td>
<td>None- uses MS Word or Excel</td>
<td>Automated web-updates</td>
<td>Uses latest technology, more flexibility.</td>
</tr>
</tbody>
</table>

Source: Based on Hoffmann, Pippert and Walenga.27

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The benefits of using XBRL for the FFIEC included the elimination of data inputting errors and reduced labour time searching for missing or erroneous data.28 The speed of data processing also improved sharply under the XBRL-enabled system. In summary, FFIEC appears to believe that the adoption of XBRL has created long-term value for them.

3.5 Criticisms of XBRL

Many who are involved in the XBRL consulting industry acknowledge that the XBRL standard has its share of detractors. The most significant criticism of XBRL is that it is incessantly complex.29 This is a selling point for the XBRL consulting industry, because XBRL is so multifaceted that it is impossible to implement without professional assistance. However, it often serves as a detractor for buyers. Some CFO's have stated that they are not interested in XBRL because they do not have a full understanding of the XBRL's capabilities, and are not sure what it is going to do for their company.30

Another interesting challenge is what some XBRL consulting experts refer to as XBRL's "image problem."31 XBRL may have the most uninviting and intimidating name in the history of unfriendly technical acronyms. While this sounds trivial, XBRL experts see the complexity of the name as a barrier to adoption. There has actually been a

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31 Alastair Nimmons, Personal interview (Vancouver, BC, August 25, 2006; Author's notes).
movement at XBRL international conferences to examine changing the acronym. By dropping the "X," many feel that the XBRL standard would sound more marketable. 32

3.6 Chapter Summary

The XBRL standard is a knowledge management mark-up language that assists organizations by enabling stronger data tracking and data analysis capabilities. It is not a perfect tool, and the chapter outlined some of the criticisms of XBRL, including its "image problem." The next chapter profiles the clients in this analysis – granting agencies. Subsequent chapters assess the strategic fit between the clients and XBRL consulting services.

32 Alastair Nimmons, Personal interview (Vancouver, BC, August 25, 2006; Author's notes).
4 A PROFILE OF CLIENTS IN THIS ANALYSIS

The clients in this analysis are granting agencies that manage “transaction models” that distribute funds from their organizations to charity applicants. PricewaterhouseCoopers is hoping to sell XBRL consulting services to granting agencies to manage the technical backbone of their “transaction models.” This chapter profiles the three categories of granting agencies, and completes an internal analysis of their organizational culture, business needs and financial leverage.

4.1 About the Granting Agencies

A definition of granting agency is an organization whose primary goal is the regular, structured distribution of financial or in-kind donations to third-party registered charities. It is important to make a distinction between a granting agency and a large private donor. A granting agency differentiates itself by having a structured grant distribution system, a normal schedule for grant disbursement, a series of entrenched guidelines or rationale for awarding grants, and post-award evaluation metrics. For example, a large wealthy individual who gave money to a university is not a granting agency. An organization like the United Way, which advertises and administers community-wide granting programs, does fit the definition.

Granting agencies behave like formal filters between two distinct communities, the giving community (donors), and the charity community. Granting agencies recruit
and manage resources from donors, and find suitable targets for those resources. As part of this process, granting agencies employ mechanisms to ensure a level of accountability from successful granting applicants. This ensures a level of protection for the donor community that their donations are demonstrating "value for money."

Granting agencies can be broken down into three categories: private agencies, corporate agencies and public-sector agencies. Table 4 briefly describes the differences between the three categories.

Table 4 Three Categories of Granting Agencies

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>Non-profit entities that provide grants resourced from private sector donations.</td>
<td>• United Way&lt;br&gt;• Vancouver Foundation&lt;br&gt;• Victoria Foundation</td>
</tr>
<tr>
<td>Corporate Sector</td>
<td>Formal charitable wings of for-profit corporations. Rarely seek external resources to fund their granting division.</td>
<td>• VanCity Foundation&lt;br&gt;• ING Direct Foundation&lt;br&gt;• Coast Capital Savings Foundation</td>
</tr>
<tr>
<td>Public-Sector</td>
<td>Uses taxpayer resources to provide grants. Does not recruit additional resources from third-parties (donate to government campaigns do not tend to be effective!)</td>
<td>• BC Lotteries&lt;br&gt;• Human Resources and Development Canada&lt;br&gt;• City of Vancouver Cultural Grants</td>
</tr>
</tbody>
</table>

Source: Author.

4.1.1 Private Granting Agencies

Private granting agencies such as the United Way or the Vancouver Foundation are the most recognized of the three categories. This recognition is often a result of well-publicized fundraising campaigns, such as the United Way's annual donation drive (see examples of this campaign in Figure 1).  

33 Jeff Cailbeck, Personal interview (Burnaby, BC, October 18, 2006; Author's notes).
from private individuals or corporations. Private granting agencies spend a significant amount of time in the recruitment of these resources, as many relationships with donors start small, and the funding commitments gradually build over time. Interestingly, Simon Fraser University and PricewaterhouseCoopers both participate in the United Way’s fundraising campaign.

Figure 1 United Way Campaign Advertising Banners on Dunsmuir St., Vancouver BC.

Most private granting agencies have an elected or appointed board of directors. These boards supply a supervisory level of management, and provide strategic counsel on the distribution of grant resources. Many board members are also participatory in the recruitment of financial resources for the private granting agency.

Some larger donors to private granting agencies stipulate frameworks for grant distribution. For example, the Victoria Foundation has established a grant program called the Helen May Noxon Fund in concert with the Noxon family. Charities that specialize

34 Kathleen Freshwater. Personal interview (Victoria, BC, October 6, 2006; Author’s notes).
in caring for those with heart disease are the only groups eligible to apply for this grant.\footnote{Victoria Foundation, "2002 Discretionary and Donor Advised Grants: Helen May Noxon Fund," Victoria Foundation, http://www.victoriafoundation.bc.ca/who/01-02-grant-recipients.html5.}

Other resources managed by the Victoria Foundation are open for general distribution, without targeted eligibility criteria. Granting agencies often label untargeted pools of money as community funds.\footnote{Jeff Cailbeck, Personal interview (Burnaby, BC, October 18, 2006; Author’s notes).}

There are few restrictions on how private granting agencies can distribute their resources, provided that they go to an organization registered as a charity with the Canada Revenue Agency (CCRA). The provision of non-repayable grants to for-profit groups or corporations is illegal in Canada.\footnote{Lizzie Lougheed-Green, Personal interview (Vancouver, BC, September 29, 2006; Author’s notes).}

4.1.2 Corporate Sector Granting Agencies

Corporate sector granting agencies operate as divisions of for-profit corporations. The granting programs are often part of company-wide social responsibility efforts. Resources for corporate granting agencies come from the general revenues of the parent company. The VanCity Company, a Lower Mainland community credit union, has arguably the highest profile corporate granting agency program.\footnote{VanCity Corporation, “See How Shared Growth Investments Contribute to the Local Community,” VanCity (My Community), https://www.vancity.com/MyCommunity.}

Corporate granting agencies often highlight their efforts through company-wide advertising campaigns. VanCity’s recent marketing campaign on Lower Mainland bus
shelters highlighted that 30% of its profits "go back into the community". Their corporate granting agency is the primary vehicle that distributes its resources from the company into the community.

There are differences between corporate granting agencies and corporate donor programs. Most profitable companies in Canada sponsor charitable events and contribute resources to charitable groups. Some notable examples include the "CIBC Walk for the Cure" for breast cancer research. These efforts differ from corporate granting agency programs because they are exclusionary in structure. The sponsor corporation does not call for open or targeted applications to apply for their resources. Corporate granting agencies must have a formal application process and internal evaluation procedures for the distribution of grants.

4.1.3 Public-Sector Granting Agencies

Public-sector granting agencies are government departments or Crown Corporations that distribute taxpayer dollars to charitable groups. In the Vancouver region, all three levels of government (municipal, provincial and federal) operate some form of granting agency. Examples include BC Gaming grants (provincial), grants from Human Resources and Development Canada (federal), and the City of Vancouver's arts and culture program (municipal). Public-sector granting agencies tend to have the most bureaucratic application structures. Recent financial accountability scandals regarding grant funding misappropriation has made for more rigorous grant screening and selection

39 Advertising campaign regularly seen on television and on public transportation advertising throughout the British Columbia Lower Mainland.

procedures. This has slowed down the speed in which public-sector granting agencies can make funding decisions on grant applications. For some public-sector agencies it can take over a year to make a granting decision following the submission of an application.

Public-sector granting agencies are susceptible to dramatic policy shifts brought upon by political changes in government. These changes can have severe effects on the abilities of the public-sector agencies to distribute funds. For example, the recent transition to a new Conservative federal government in early 2006 resulted in a freeze of granting programs at Western Economic Diversification (Western Canada’s regional economic development agency). These political changes brought upon a shift in management priorities at Western Economic Diversification, and effectively froze all existing grant applications.

4.2 Internal Analysis

This section provides an internal analysis of the operational make-up of granting agencies. The section discusses organizational culture, business needs and financial leverage of granting agencies.

4.2.1 Organizational Culture of Clients

Private and corporate sector granting agencies are different organizations than for-profit corporations. The staff of most granting agencies do not enter the charitable

41 Rick Warner, Personal interview (Vancouver, BC, October 23, 2006; Author’s notes).
42 Kristie Fairholm-Mader, Personal interview (Vancouver, BC, October 4, 2006; Author’s notes).
43 Mijon Pak, Personal interview (Vancouver, BC, October 11, 2006; Author’s notes).
granting sector for personal gain or recognition. They enter the sector with more selfless
goals of making a contribution to society. These "values differences" amongst staff
present unique challenges to groups who attempt to sell goods or services to granting
agencies. Relationships and trust are more important to establish, and concerns such as
ethics, good corporate citizenship, and commitment to the community are important
drivers in all purchasing decisions.\textsuperscript{44} Typically, these types of relationships can take
tears to establish.\textsuperscript{45}

Public-sector granting agency culture is the exception. Its organizational culture
tends to mirror traditional bureaucratic culture found in most departments in government.
Further, the selling of services to public-sector granting agencies is very different.
Public-sector groups cannot directly award business contracts for consulting or technical
work. A lengthy procurement process is often involved. The other categories of
granting agencies are not subject so such rigorous procurement procedures.

4.2.2 Business Needs of Clients

Even with a different culture and values system, granting agencies are susceptible
to fundamental business truisms. Balance sheets must balance, overhead must be low
(and always getting lower), and success needs to be defined, measured and benchmarked.
Demands for strict accountability, either driven by donors, shareholders or taxpayers, are
becoming more acute.

\textsuperscript{44} Jeff Stimpson, "Success with Not-For-Profits," \textit{The Practical Accountant} (September 2005), 39-42.
\textsuperscript{45} Jeff Stimpson, "Success with Not-For-Profits," \textit{The Practical Accountant} (September 2005), 39-42.
4.2.3 Financial Leverage of Clients

Granting agencies tend to be large organizations. Private granting agencies such as the United Way, the Vancouver Foundation and Victoria Foundation manage tens of millions of dollars each year. Corporate granting agencies are business units or divisions of mid to large profitable companies. Public-sector granting agencies are departments of various levels of government. Most granting agencies have a high level of purchasing power and have access to capital. For example, the annual budget for granting and donor administration expenses alone at the Vancouver Foundation exceeded $3 million dollars in the 2004 fiscal year.

The exception is the few dispersed private granting agencies that have informal application structures and low annual budgets. This analysis will not consider those groups as clients, because they would not have the financial leverage to purchase XBRL consulting services.

4.3 Chapter Summary

The clients for this analysis are granting agencies, which distribute financial resources to charitable groups. Granting agencies play a critical role in improving our communities. As organizations, they have different goals than for-profit corporations, but have many of the same business or operational challenges. The next chapter

46 Scott Fitzsimons, Personal interviews (Vancouver BC, August-October, 2006; Author's notes).
examines the “transaction models” used by granting agencies to distribute resources to successful granting applicants. It also examines XBRL’s ability to provide added value to that process.
Chapter four described granting agencies as the clients in this analysis. This chapter provides an overview into a “transaction model” used by a potential client. “Transaction models” are systems managed by granting agencies that receive grant applications and distribute financial resources to successful charity applicants. Currently, no granting agency applies XBRL in its “transaction models.”48 This chapter examines a “transaction model” if it was using XBRL web-based technology, and provides an assessment of the level of strategic fit of XBRL.

5.1 Victoria Foundation’s Four-Stage Transaction Model

Granting agencies do not have identical “transaction models.” However, they all have similar objectives, which are to ensure that all resources (from corporate profits, donors or taxpayers) go to worthy applicants, and that the resources are appropriately used. The research for this analysis examined several “transaction models” used by granting agencies. The “transaction model” used by the Victoria Foundation is the most comprehensive and clearly defined of those reviewed. The Victoria Foundation is a private granting agency which serves the Southern Vancouver Island region of BC. Their “transaction model” serves as a prototype for this analysis, displayed in Figure 2. The

48 Scott Fitzsimons, Personal interviews (Vancouver BC, August-October, 2006; Author's notes).
Victoria Foundation’s “transaction model” also appears in chapter six, which examines the perspective of the end-user in the “model” – charities that apply for grants.

Figure 2 Victoria Foundation’s “Transaction Model”

Source: Based on The Victoria Foundation’s Steps.

5.2 Transaction Model Stage One – Information Distribution

The first stage of the “transaction model” is the most informal. It involves basic information distribution between the Victoria Foundation and the potential applicant. In the first stage, the Victoria Foundation outlines what kind of organizations is eligible to receive grants. Table 5 shows the grant eligibility requirements from the Victoria Foundation. The objective of this stage to prevent any misguided applications that would not reach the Victoria Foundation’s minimum eligibility requirements from going through the full application process. It provides a high-level filter for Victoria Foundation staff so that they can focus on applications that have a reasonable chance of success. This stage allows applicants to determine if they either fit the criteria, and move on to stage two, or decide against submitting an application, and exit the process. The applicant does not transfer any data to the Victoria Foundation at this stage.

Table 5  Grant Eligibility Criteria from the Victoria Foundation

<table>
<thead>
<tr>
<th>Eligibility Criteria</th>
<th>Ineligibility Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Only registered charities are eligible for grants from the Victoria Foundation.</td>
<td>• annual funding campaigns &amp; fundraising initiatives</td>
</tr>
<tr>
<td>• Organizations must demonstrate a strong and committed board, fiscal responsibility, and effective management.</td>
<td>• capital campaigns (hard infrastructure)</td>
</tr>
<tr>
<td>• Projects must benefit primarily the people of Victoria</td>
<td>• conferences</td>
</tr>
<tr>
<td>• All organizations which receive a grant are expected to submit an interim or final report within 12 months of the grant being awarded. Final reports must be received before applying for another grant.</td>
<td>• deficit reduction &amp; retro-active funding</td>
</tr>
<tr>
<td>• Organizations seeking funds must demonstrate a strong and committed volunteer Board of Directors, fiscal responsibility, and effective management of resources.</td>
<td>• direct religious activities and political activities</td>
</tr>
<tr>
<td>• Grants are awarded for definite purposes and for projects.</td>
<td>• private individuals</td>
</tr>
<tr>
<td>• All applications are considered on merit and in light of funds available for distribution.</td>
<td>• institutions’ statutory programs</td>
</tr>
<tr>
<td>• Multi-year grants are subject to periodic performance reviews.</td>
<td>• on-going core operating expenses &amp; regular staff wages</td>
</tr>
<tr>
<td>• Grants range from $1,000 to $10,000 depending on the fund.</td>
<td>• travel costs</td>
</tr>
</tbody>
</table>

Source: Based on The Victoria Foundation’s guidelines.50

5.2.1 Transaction Model Stage One – Using XBRL

XBRL has little ability to assist the Victoria Foundation in the first stage of its “transaction model.” The process is not formal at this point, and no exchange of data has occurred.

5.3 Transaction Model Stage Two – Preliminary Screening

The second stage of the “transaction model” is the first stage where there is an exchange of information between the Victoria Foundation and the grant applicant. In this stage, the Victoria Foundation requests a two-page document from the applicant outlining

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the fundamentals of what would be included\textsuperscript{51} on a full application. The two-page
document to the Victoria Foundation must include:

- Brief introduction to the organization
- Organization name, address
- Executive Director and/or key contact person
- All relevant phone and fax numbers
- Website and e-mail addresses
- Charitable registration number
- A brief description of the organization
- A concise description of the program that the grant would fund
- Total amount requested and budget
- Start and completion dates for the project

The Victoria Foundation uses this stage to make an internal decision to ask the
applicant to submit a full application (stage three) or re-submit some of the preliminary
information (repeat stage two). In certain cases, an applicant would exit the process.
This is because they are deemed ineligible by the Victoria Foundation as per the criterion
outlined in stage one. The Victoria Foundation estimates that the total time an applicant
spends in stage two is approximately two weeks.\textsuperscript{52}

5.3.1 Transaction Model Stage Two – Using XBRL

The second stage of the Victoria Foundation’s “transaction model” is where
XBRL can begin to play a functional role. By switching to a XBRL-enabled web-based
application, data requested in this stage can have XBRL tags applied for tracking

\textsuperscript{51} Victoria Foundation, "2002 Discretionary and Donor Advised Grants: Helen May Noxon Fund," Victoria Foundation,
http://www.victoriafoundation.bc.ca/why/01-02-grant-recipients.html#5.

\textsuperscript{52} Kathleen Freshwater, Personal interview (Victoria, BC, October 6, 2006; Author’s notes).
purposes. XBRL tags are descriptive identifiers that enable data search and retrieval.\textsuperscript{53} Table 6 outlines XBRL's data tagging abilities at this stage in the "transaction model."

\begin{table}[h!]
\centering
\begin{tabular}{|l|l|}
\hline
\textbf{Information Demanded on the Application}\textsuperscript{54} & \textbf{XBRL "Taggable"}\textsuperscript{55} \\
\hline
Brief introduction to the organization & Non-Taggable information \\
Organization name, address & Taggable information \\
Executive Director or key contact person & Taggable information \\
All relevant fax/phone numbers & Taggable information \\
Website and email address & Taggable information \\
Charitable registration number & Taggable information \\
Brief description of the organization & Partially-Taggable information: Items like services for youth could have descriptive tags applied. \\
A concise description of what the grant would fund & Partially-Taggable information \\
Total amount requested and budget & Taggable information \\
Start and completion dates for the project & Taggable information \\
\hline
\end{tabular}
\caption{XBRL's Abilities with Stage 2 of the Victoria Foundation's Granting Transaction Model}
\end{table}

Source: Based on Data from the Author and The Victoria Foundation.

In this stage, an XBRL-enabled "transaction model" adds two levels of functionality for the Victoria Foundation. First, it provides the Victoria Foundation with increased tracking capabilities of all applicants. Currently, the Victoria Foundation only tracks information on those applicants who have completed the third stage (submitted a full application). Second, a XBRL-enabled web-based application would quickly enable data retrieval for the applicant. If the applicant proceeds to the third stage, XBRL would keep all of its information updated, eliminating any repetitive data entry.


\textsuperscript{55} Author's tags.
5.4 Transaction Model Stage Three – Formal Application Submission and Internal Review

The third stage of the "transaction model" is the most complex of the four stages. This stage is where a granting applicant submits a full application to the Victoria Foundation. In the application, the Victoria Foundation requires the following information:56

- Financial statements for the past fiscal year
- Operating budget for the current year
- Governance information
- Amount requested in the grant
- Details on how the funding will be used – what are the objectives for the grant
- Guidelines on how the activity will be self-sustaining
- Evaluation, benchmarking, success measurement tools

The Victoria Foundation receives full applications in MS Word or MS Excel templates which it has designed. The application process does not use web-based technology (excluding the consideration of e-mail as a web-based technology). The Victoria Foundation staff use these applications to make preliminary funding recommendations. The board of directors of the Victoria Foundation reviews the recommendation from staff, and gives its final approval. The Victoria Foundation estimates that the grant review process takes approximately eight weeks.

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5.4.1 Transaction Model Stage Three – Using XBRL

The use of XBRL is the most applicable in the third stage. Table 7 outlines XBRL’s abilities within this stage of the “transaction model”.

Table 7  XBRL’s Abilities with Stage 3 of the Victoria Foundation’s Granting Transaction Model

<table>
<thead>
<tr>
<th>Information Demanded on the Application</th>
<th>XBRL “Taggable” $^{58}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial statements for the past fiscal year</td>
<td>Taggable information</td>
</tr>
<tr>
<td>Operating budget for the current year</td>
<td>Taggable information</td>
</tr>
<tr>
<td>Governance Information</td>
<td>Non-Taggable information</td>
</tr>
<tr>
<td>Amount requested</td>
<td>Taggable information</td>
</tr>
<tr>
<td>Details on how the grant will be used – what are the objectives for the funding</td>
<td>Partially-Taggable information: Tags like “mental health issues” could be added to allow for identifiable searches</td>
</tr>
<tr>
<td>Guidelines on how the activity will be self-sustaining</td>
<td>Non-Taggable information</td>
</tr>
<tr>
<td>Evaluation, benchmarking and/or success measurement tools</td>
<td>Taggable information</td>
</tr>
</tbody>
</table>

Source: Based on Data from the Author and The Victoria Foundation.

Financial statements and operating budgets from granting applicants are similar to private sector financial reports. Private sector financial reports on a regular basis use the XBRL standard. The total amount requested by the granting applicant is an additional piece of financial information that is applicable to XBRL. Evaluation methods and grant objectives are descriptive pieces of information, which XBRL can tag for future searching capabilities. For example, adding a tag such as “women’s services” allows for data drill-down searching capabilities in the future. The benefit to the Victoria Foundation is that they are easily able to conduct an exclusionary search of its data...
records for specific types of grants, both current and historical. Presently, this is not possible under its current, unconnected technical framework. An additional benefit is the semantic capabilities that XBRL offers. XBRL has logic tools installed that mediate against erroneous data errors. For example, XBRL tags can determine when key pieces of financial information do not balance, such as assets not equalling liabilities and equity on a balance sheet. This expedites the likelihood of any data input errors, which will expedite the application process and reduce staff time and attention spent reviewing grant applications. These capabilities will reduce overhead expenditures for the Victoria Foundation.

Additional data obtained at the third stage, such as charity governance information and self-sustaining guidelines, are highly specific in nature. These have limited application to XBRL because there are difficult to summarize into a specific, targeted tag. XBRL tags cannot manage broad, non-qualitative responses that are not easy to summarize.

5.4.2 XBRL and Stage Three Supplicants

Charities may submit applications to the Victoria Foundation once every eighteen months, or a maximum of three times in a five year timeframe. The Victoria Foundation demands that supplicants to re-submit full applications, excluding the governance model information. XBRL makes the supplicant procedure significantly easier. Previously submitted information is easily retrievable under an XBRL-enabled “transaction model.” The re-posting of previously submitted data such as financial information is also made easier. This saves time for the supplicant and streamlines the process.
5.5 Stage Four – Post-Award Evaluation and Accountability

Awarded grants are financial contributions that are not required to be re-paid. However, charities that receive grants are accountable for the funding. All granting agencies have some form of post-award accountability framework. Normally this framework is not legally binding. However, if a charity does not meet the accountability goals stipulated when they receive a grant, they are not likely to have its applications approved in the future.

Accountably for awarded grants has become increasingly important in recent years as a result of high-profile financial scandals with public-sector granting agencies. This has increased the need for tougher post-grant distribution accountability regulations. Strong evaluation criteria help granting agencies maintain its reputations and its relationships with its donor community. Table 8 shows the evaluation and accountability structure of successful grant applicant by the Victoria Foundation. This is the fourth and final stage in its “transaction model.” Similar to stage three, this stage uses MS Word or Excel templates to transfer the information from the grant recipient to the Victoria Foundation. Web-based technologies are not used.

5.5.1 Stage Four – Using XBRL

XBRL would add limited capabilities to the fourth stage of the Victoria Foundation’s “transaction model.” The financial information and some of the grant outcome data are strong matches for XBRL’s capabilities. However, a portion of the information required is too specific in nature to be suitable for XBRL. Information
pieces such as learning objectives are difficult to summarize. Information that is difficult to summarize cannot have XBRL tags applied to it.

**Table 8**  
*XBRL’s Abilities with Stage 4 of the Victoria Foundation’s Granting Transaction Model*

<table>
<thead>
<tr>
<th>Information Demanded From the Grant Recipient</th>
<th>XBRL “Taggable”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Did you achieve the outcome(s) you identified in your application? If yes, how do you know? If no, why? Were there any unexpected outcomes, positive or negative?</td>
<td>Partially Taggable information: Tags like positive, negative, neutral could be added to allow for identifiable searches</td>
</tr>
<tr>
<td>What are examples of specific results you achieved from the project? Who evaluated the project?</td>
<td>Partially Taggable information: Certain quantifiable information pieces could be tagged, like 50 persons employed or 500 people helped</td>
</tr>
<tr>
<td>What impact has the grant from the Victoria Foundation had on your organization, your community, and your available resources?</td>
<td>Non-Taggable information</td>
</tr>
<tr>
<td>Were any new partnerships created?</td>
<td>Taggable information</td>
</tr>
<tr>
<td>Were additional funds obtained from other sources towards the project as indicated?</td>
<td>Taggable information</td>
</tr>
<tr>
<td>Is the project sustainable? Does it need to be? If it is sustainable, what on-going funding have you secured? If it isn’t, what is its legacy?</td>
<td>Non-Taggable information</td>
</tr>
<tr>
<td>What was the most important thing you learned from this project?</td>
<td>Non-Taggable information</td>
</tr>
<tr>
<td>If you had the opportunity to do the project again, what changes might you consider?</td>
<td>Non-Taggable information</td>
</tr>
</tbody>
</table>

Source: Based on Data from the Author and The Victoria Foundation.

5.6 The Strategic Fit between XBRL and the Needs of Clients

XBRL does not provide a perfect solution for the Victoria Foundation, or any other prospective client. There are certain areas of the Victoria Foundation’s “transaction model” where XBRL has little or no direct application. However, there are areas that an XBRL-enabled “transaction model” would add increased functionality.


60 Author’s tags.
Currently, the Victoria Foundation has no technical ability to cross-search its database of awarded grants or historical grant applications. Each grant file is located independently in MS Word and/or MS Excel, or in certain cases, only in paper form. If the information was in XBRL, they would be able to search its entire database and find unconnected data. This has four advantages for the Victoria Foundation:

1. XBRL allows for greater data drill-down capabilities, allowing the Victoria Foundation to easily search through its current and historic data. This greatly increases its knowledge management capabilities.
2. XBRL expedites the production of financial reports and filings with Canada Customs and Revenue Agency by the Victoria Foundation. All key pieces of data are centrally located which reduces preparation and auditing time.
3. XBRL reduces data inputting errors and breaches of semantic meaning (XBRL can identify a violation of business rules such as debits not equalling credits).
4. XBRL’s data tagging abilities streamline the application process between the second and third stages of the Victoria Foundation’s “transaction model.” This improves the speed and quality of applications submitted and should reduce administration costs for the Victoria Foundation.

5.7 PricewaterhouseCoopers Proposed Interaction with Clients

PricewaterhouseCoopers would offer XBRL consulting services for granting agencies, and manage the technical backbone for its “transaction models.” A formal engagement could involve a large individual granting agency, such as BC Lotteries or the United Way. Alternatively, PwC could work with a series of individual granting agencies to form a consortium. The XBRL standard has the ability to operate as a shared services model across multiple granting agencies.

An engagement with a single granting agency would resemble the XBRL-enabled “transaction model” prototype described earlier in this chapter. An engagement with a consortium of granting agencies would be different. Figure 3 shows a shared-services
"transaction model" with multiple granting agencies. The charity applicant submits data to a shared web-based platform enabled by XBRL. Each subscribing granting agency can download information from the "model." PwC could customize the interface for specific pieces of information required for a grant application. Common pieces of information that span across granting agencies require just a single entry into the "transaction model." For example, charities only have to enter financial data or governance information once. All granting agencies that are part of the consortium can access that information as required. This greatly reduces application time for charities.

**Figure 3** XBRL-Enabled Shared Services Transaction Model

![Transaction Model Diagram](image)

Source: Author.

### 5.8 Chapter Summary

This chapter examined the "transaction model" of a potential client – the Victoria Foundation. Its "transaction model" had four specific stages: initial contact by a granting applicant, submission of an application, the awarding decision, and post-grant
evaluation. By using XBRL, the Victoria Foundation could streamline the process by reducing duplication and decision turn-around time. The next chapter profiles the end-user in a “transaction model,” charities that apply for grants. It will also make an assessment of benefits or constraints of XBRL-enabled “transaction models” from the end-users point of view.
6 END-USERS AND XBRL

This chapter will profile the other side of the “transaction model” introduced in chapter five. Specifically, how charities that apply for grants interact with the “transaction model”. Charities are the end-users in the “transaction model” because they are the originator of data in an application process. This chapter will discuss the strategic fit of an XBRL-enabled “transaction model” from an end user’s point of view.

6.1 A Definition of Granting Applicants

A definition of a granting applicant is a “registered charity that regularly participates in a formal application process to third-party groups in an attempt to acquire non-repayable assets and/or financial gifts.” Registered charity refers to having a legal status with Canada Customs and Revenue Agency (CCRA) and been given a formal charity number. These groups are eligible to issue tax receipts for donations. Private individuals who are not agents or representatives of registered charities are not granting applicants.

Using this definition, the scope of potential granting applicants is broad. In Canada, over 80,000 non-profit groups are CCRA registered.61 They include everything from arts and cultural groups, youth sporting associations, to organizations that assist

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persons who live on the margins of society. Table 9 provides a partial listing of some notable charities that are potential granting applicants.

**Table 9  Listing of Notable Charities in BC**

<table>
<thead>
<tr>
<th>Name</th>
<th>Profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>BC Developmental Disabilities Association</td>
<td>A non-profit group that provides job training and advocacy on behalf of youth and adults with developmental disabilities. The BCDDA commonly applies for grants from organizations like the Ministry of Human Resources (public-sector granting agency) and the United Way (private sector)</td>
</tr>
<tr>
<td>Potluck Café</td>
<td>Co-operated by SFU MOT Candidate Glen Lougheed and located on Vancouver's Downtown Eastside, Potluck Café operates a non-profit social enterprise catering and restaurant business that provides employment to persons who are classified as difficult to hire, normally because of some social challenges or addictions in their lives. Many Potluck employees have gone on to self-sustaining careers in the hospitality industry. Potluck receives funding from groups such as Human Resources Development Canada and BC Technology Social Venture Partners.</td>
</tr>
<tr>
<td>BC Immigrant Services Society</td>
<td>The primary settlement services provider for newcomers to British Columbia, commonly providing housing, integration and employment training services. This charity is supported by several granting agencies, including the Vancouver Foundation and the United Way.</td>
</tr>
</tbody>
</table>

Source: Author.

6.2  Grant Application Response – Current Frustrations

Managers of charities spend a large amount of time responding to grant applications. This is a significant drain on its resources. When managers of charities are doing administrative tasks such as grant application response, they are not fulfilling the primary objectives of their organization, which are to provide services to people in need.

Charities vary on a number of dimensions, as do their grant application response strategies and procedures. Larger charities have formal executive leadership teams that facilitate the grant application response. There are entire departments devoted to this process. Smaller charities often have the executive director or manager of the charity prepare the application response in their limited “spare time.”
Charities main frustration with the application process is a lack of commonality in grant applications. The overly-specific nuances of grant applications force charities to adjust the scope, goals and objectives of its organizations to fit the narrow application requirements. BC Lotteries requires financial statements presented in one fashion on the application, while the United Way requires financial information presented in another fashion. Searching and modifying this information is an exhaustive effort for charities. If granting agencies were able to standardize its application structure, this would dramatically reduce the application time. Even a slight reduction in application times means that charities spend more time serving its stakeholders, and less time and money on overhead expenses. Chapters eight and nine discuss this frustration in more detail.

6.3 Grant Application Response in a XBRL-enabled Transaction Model

Recall the “transaction model” used by the Victoria Foundation described in chapter five. The model had four specific stages: initial contact by a granting applicant, submission of an application, the awarding decision, and post-grant evaluation. This section describes how charities would interact with such a “transaction model” if it was enabled with XBRL.
The first stage in the “transaction model” is information distribution. XBRL plays no role in this stage since it does not require a data exchange between the two parties.

The second stage of the “transaction model” is the initial screening of the applicant by the Victoria Foundation. At this stage, the applicant submits a two-page document to the Victoria Foundation with explicit profile information. If the “transaction model” was enabled by XBRL, the profile information could have tags applied to it. This

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Source: Author and based on The Victoria Foundation’s steps. 

would allow for easy information search and recovery for subsequent stages in the “model.”

The third stage in the “transaction model” is the formal application submission by the applicant to the Victoria Foundation. All previously submitted information by the applicant is easily recallable. This eliminates any duplication. The full application would also be web-based. This makes the application process more standardized and less ambiguous for the applicant. XBRL would also tag several incoming data pieces at this stage like key financial values. This allows for easy data search and retrieval by the Victoria Foundation. Further, this makes possible cross-application data retrieval for multiple granting agencies under a shared-services model. The previous chapter outlines a prototype of a XBRL-enabled shared “transaction model.”

The fourth stage in the “transaction model” is post-award evaluation. Using XBRL, it is easier for the successful applicant to submit evaluation data because all of its profile information from its initial application is easily recallable. Further, XBRL streamlines any supplicant applications because all the required profile information is stored and easily updateable.

6.4 Strategic Fit of XBRL for End-Users

XBRL is not a cure-all for charities that apply for grants. However, it does streamline the application system and provide additional levels of technical utility. This partially eliminates some of the challenges and frustrations faced by charities identified
earlier in the chapter. Specifically, XBRL has three advantages for charities that apply for grants:

1. XBRL-enabled “transaction models” have the ability to eliminate repetitive data in-flow. XBRL’s data retrieval abilities ensure that key pieces of profile information only require a single entry.

2. XBRL-enabled “transaction models” eliminate any ambiguity for granting applicants. The web-based structure enforces a common grant application format. This eliminates any vagueness to application formatting or structure. All applicants know what the final application is supposed to look like.

3. If multiple granting agencies use XBRL-enabled “transaction models” in a shared services consortium, charities can easily send multiple pieces of similar information to individual agencies. This level of commonality allows increases scale effects and reduces ambiguity in the application process.

6.5 PricewaterhouseCoopers Proposed Interaction with End-Users

PricewaterhouseCoopers is proposing to augment the technical backbone of the “transaction models” currently managed by the granting agencies with XBRL. PwC would not have a direct reporting relationship with the end-users of its models, which are charities that apply for grants. However, the end-users would have the most interaction with the PwC’s product. PwC would have to set aside a series of resources for granting applicant training. XBRL experts must also be widely available to handle technical questions. This need would be particularly acute in the immediate term. The need for training should decline gradually as granting applicants become more accustomed with the technology. Training techniques such as help-lines, online tutorials and information sessions are required.
6.6 Chapter Summary

This chapter profiled charities that regularly apply to granting agencies for financial resources. It also examined how charities would interact with an XBRL-enabled grant "transaction model." XBRL is not a cure-all for charities that apply for grants. However, it does add some increased functionality and relieves some of the frustrations charities have with the grant application process. The next chapter profiles the competitive forces affecting the XBRL consulting industry, and the implications for the target market for this analysis.
7 THE COMPETITIVE FORCES DRIVING THE XBRL CONSULTING INDUSTRY

This chapter analyzes the various competitive forces that affect the current state of the XBRL consulting industry, using the model developed by Porter. In this model, there are five major forces that combine to affect the competitive balance of an industry: competitive rivalry, existing buyers, suppliers, substitutes and new entrants. However, for the purpose of this analysis, two additional forces are used. They are the role of governments and the role of clients in this analysis as buyers.

Each of the forces that influence the competitive structure of the XBRL consulting industry receives a qualitative score at the end of each section to summarize its relative power. For example, if the power of suppliers is high, it is given a score of eight or above out of ten. The conclusion of the chapter includes a summary of the assessed scores.

7.1 Industry Overview

XBRL consulting is a new industry. The sale of consulting and implementation services to the XBRL technical standard is only a few years old. Despite the nascent status of the industry, some of the world’s largest corporations sell XBRL consulting

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services. Table 9 provides a list of the major consulting and technology firms that offer XBRL consulting services. Those firms with as having significant service offerings put more emphasis on XBRL consulting services. This emphasis includes participating in the XBRL supplemental community, such as sponsoring XBRL conferences or events. As shown in the Table 10, the industry has many large players and a low concentration of firms.

Table 10  Key Players in the XBRL Consulting Service Industry

<table>
<thead>
<tr>
<th>Company</th>
<th>Service Offerings</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBM Global Services</td>
<td>Limited Service Offerings</td>
</tr>
<tr>
<td>Aijon</td>
<td>Significant Service Offerings</td>
</tr>
<tr>
<td>Fujitsu Consulting</td>
<td>Significant Service Offerings</td>
</tr>
<tr>
<td>Deloitte &amp; Touche</td>
<td>Significant Service Offerings</td>
</tr>
<tr>
<td>Ernst &amp; Young (CapGemini)</td>
<td>Significant Service Offerings</td>
</tr>
<tr>
<td>Sierra Systems</td>
<td>Limited Service Offerings</td>
</tr>
<tr>
<td>PricewaterhouseCoopers</td>
<td>Significant Service Offerings</td>
</tr>
<tr>
<td>KPMG</td>
<td>Significant Service Offerings</td>
</tr>
<tr>
<td>Oracle</td>
<td>Significant Service Offerings</td>
</tr>
<tr>
<td>NEC</td>
<td>Significant Service Offerings</td>
</tr>
<tr>
<td>Adobe</td>
<td>Significant Service Offerings</td>
</tr>
</tbody>
</table>

Source: Author.

7.1.1 PricewaterhouseCoopers Position in the Industry

The XBRL consulting industry is too new to designate a market leader. However, PricewaterhouseCoopers is emerging as a leading firm in the industry. PwC is among the most aggressive at promoting XBRL as a technical standard. PwC also sends several staff and executives to XBRL events as speakers and presenters.

7.2 Rivalry among Existing Firms

The XBRL standard has numerous strong firms supporting its development. The presence of several large firms makes the XBRL consulting marketplace competitive. Sluggish growth in the industry adds to this level of competition. As of 2004, only a few companies have used XBRL consulting services to convert its corporate financial reports to use XBRL. The earliest private sector adopters were high-tech firms, including Microsoft and United Technologies, companies that were comfortable with exploring new technologies or directly involved in the provision of XBRL consulting services.66

An XBRL practice leader with Ernst & Young compared the state of the industry to an airport: “It takes a lot of work before the planes start taking-off.” This quote implies that the XBRL consulting industry has not yet taken-off. As such, XBRL consulting firms are not operating at a minimum efficient scale. Having many players in a slow-growth industry greatly increases the rivalry between firms.

The XBRL standard needs a significant level of adoption to capitalize on network effects. Network effects are the utility garnered from a group of consumers when they collectively use the good.67 Direct network effects are benefits in the sense that the number of other users directly affects a user’s utility to function. Indirect network effects arise when the good is enhanced when used in a large network.68 Products that require direct network effects to grow include bar-codes, telephony and the fax. There is no value in those services without a common standard. Unlike the telephony industry, the

XBRL standard does not require direct network effects to be useful. XBRL can function independently of other users. However, XBRL does require indirect network effects to achieve maximum utility. Specifically, the XBRL standard requires a critical mass of common users. Michelle Savage, a Vice-President with the American division of XBRL International, summarized this challenge as: “The goal is to get as many organizations as possible to use XBRL because the real value is in analyzing volumes of data.”69 Given the slowness of the existing adoption rate, XBRL has not yet achieved this critical mass.

There are indications that future market conditions may enable the indirect network effects required for sustained growth of XBRL and the XBRL consulting industry. Several market drivers are contributing towards XBRL achieving critical mass, including:

- **Sarbanes-Oxley Legislation (SOx):** Implementing XBRL in an information supply chain assists with SOx reporting and reduces the likelihood of errors, and provides a better evaluation framework for auditors.

- **Increased Knowledge of Precursor Languages:** Increased familiarity with XBRL’s precursor language XML is reducing the technical barriers and complexity of the language.

- **Robust Technology Sponsorship:** The firms backing XBRL are large and established. These firms are continuing to invest in promoting the XBRL standard to make it more market-friendly and easier to adopt. These efforts are extending the reach of the product.

- **Positive Regulatory Framework:** Regulators such as the US Securities and Exchange commission are bullish on XBRL as a technology, and its future role in expediting the regulatory filing system.70 This point is further discussed in the upcoming section on the role of government in the XBRL consulting industry.

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• More Adaptors: In the 2005 corporate reporting cycle, companies such as PepsiCo and 3M employed XBRL consulting services for its financial reports. The XBRL consulting industry is growing, albeit slowly.

In summary, there is an intense rivalry between XBRL consulting firms. There are many large competitors in the industry, and customer demand growth is slow to moderate. As the market expands the XBRL standard benefits from increased network effects, which will make XBRL more valuable to customers. This will have a future downward effect on the level of rivalry between firms. At present, the level of competitive rivalry scores a seven out of ten.

7.3 Bargaining Power of Existing Buyers

This section discusses the barging power of buyers of XBRL consulting services in the primary market, namely the corporate financial reporting industry. This chapter also discusses the bargaining power of potential buyers in the target market. Potential buyers are granting agencies which manage grant distribution “transaction models.”

There are six stages of adoption with new technologies: innovators, early adopters, pragmatists, early majority, late majority and laggards. These six stages comprise the “technology adoption life-cycle.” Current buyers of XBRL consulting services are visionaries or early adopters. Early adopters are those who are willing to

brave new technology and accept some element of risk in anticipation of potential rewards from being an early purchaser.\textsuperscript{72}

The existing base of XBRL consulting buyers is small. Only a few public companies are using XBRL or XBRL consulting services.\textsuperscript{73} Customer interest has not moved past the early adopter stage. XBRL has not achieved mass-market acceptance. Supply of XBRL consulting services is ample. The many of the world’s largest professional services firms provide XBRL consulting services. Low demand coupled with abundant supply gives buyers a large amount of purchasing leverage. As such, the power of existing buyers is high. The power of buyers scores an eight out of ten.

\section*{7.4 Threat of Substitutes}

The XBRL standard is a new innovation and does not have a close substitute. However, there is a powerful indirect substitute for XBRL consulting services. Simply stated, the substitute for XBRL consulting services is not using the XBRL standard or XBRL consulting services. This situation is common for new technologies. Before the invention of the typewriter, the main substitute was sticking with hand written correspondence. Thus, the challenge for the XBRL consulting industry is to increase buyers willingness to become adopters of the XBRL standard. No effort is required to steer buyers away from non-existent substitute products.


\textsuperscript{73} Robert Kugel, "No Need to Fear XBRL" Intelligence Enterprise Online Magazine (April 7 2006), http://www.intelligententerprise.com/showArticle.jhtml?articleID=184429762.
Two factors contribute to reducing the power of substitutes—price and perceived quality. Obtaining accurate pricing information for XBRL consulting services is difficult because there is no standard pricing model. However, PepsiCo publicly released its financial costs for converting its financial statements to the XBRL standard. Implementation cost PepsiCo approximately $40,000, and subsequent filings cost them only $5,000. The cost of PepsiCo’s XBRL implementation is more expensive than the price of the substitute—which is free. However, the cost of XBRL consulting services is not exorbitant either. Most organizations considering XBRL consulting services could absorb such costs.

The issue of quality is a more difficult issue. The most compelling argument for increased quality is the increased data accuracy found on corporate financial reports. Subscribers to the XBRL standard, such as PepsiCo, claim that XBRL greatly increased its financial reporting accuracy and reduced data search time and effort. The FFIEC example discussed in chapter three also demonstrated that XBRL greatly improved the quality of their internal data. The FFIEC publicly stated that it reduced total data input errors from 18,000 to zero by switching to the XBRL standard. These types of quality improvements reduce net costs for organizations in the long-run.


In summary, the power of substitutes remains high. However, the XBRL consulting industry has a promising price-quality argument that will have a future downward effect on the viability of substitutes. The threat of substitutes scores a seven out of ten.

7.5 Barriers to Potential Entrants

XBRL is an open-source standard. The core inputs required to open an XBRL consulting firm are having access to the internet and knowledge of the technical nuances of the XBRL standard. Capital requirements are low. As such, there are few formal barriers to entering the industry.

However, there are strong informal barriers to entrance. The industry overview earlier in this chapter revealed that the major competitors in the XBRL industry are large corporations (e.g. PricewaterhouseCoopers, Microsoft). Larger firms are able to leverage its brand name and reputation to attract clients. This is a barrier to potential entrants that lack established reputations. Incumbent firms are also able to impose switching costs on new subscribers to the XBRL standard. For example, companies that use PwC as its auditors are more likely to have PwC augment its financial statements with XBRL. Those companies have a switching cost to shift its business away from PwC. Further, PwC would be more likely to introduce that potential customer to the XBRL standard, which would partially block a potential entrant from capturing that customer.
There are several companies that write and supply XBRL software programs and to the larger consulting firms.\textsuperscript{76} Many of these firms are finding a niche role as subcontractors to the larger XBRL consulting firms. For example, TNT Filings, a Toronto-based technology company, has a formal relationship with PwC, and provides technical support to PwC's clients.\textsuperscript{77} As companies like TNT Filings grows, it could become full-fledged competitors to the larger consulting firms, as could other smaller players. This ability depends on increased market demand for XBRL and a willingness of potential customers to use smaller technology firms for XBRL consulting services. The next section on suppliers discusses these small supply firms in more detail.

In summary, there are moderate to high barriers to entry in the XBRL consulting industry, as some of the world's largest corporations are already major players in the industry. Since the market is emerging, there is excess capacity from firms, creating an economic barrier to entry. Further, the entrenchment of many potential customers with XBRL service providers in other consulting capacities acts as an informal barrier for potential entrants. Barriers to potential entrants score an eight out of ten.

\subsection*{7.6 Role of Suppliers}

Next are suppliers to the XBRL consulting industry. The main suppliers to the industry are small technology companies that develop and improve XBRL software packages used by the larger XBRL consulting firms. These firms produce taxonomy

\begin{footnotesize}
\textsuperscript{76} Alastair Nimmons, Email communication (August 23, 2006).
\textsuperscript{77} Wasim Thaha, Telephone interview (Toronto, ON, August 25, 2006; Author's notes).
\end{footnotesize}
editors and instance document creators which enhance the capabilities of XBRL.\textsuperscript{78} TNT Filings, discussed in the section on new entrants, is a supplier, along with other small technology companies, such as Corefiling or Rivet Software.\textsuperscript{79}

The power of suppliers is low. Their relative size compared to the XBRL consulting firms is small. This makes it difficult for suppliers to exert influence. If a supplier had a technical breakthrough and solved some of the XBRL’s complexity challenges discussed in chapter three, they could become a stronger force in the industry. Experts refer to this concept is a differentiation of inputs. Differentiation of inputs occurs when a supplier to an industry develops products along the supply chain of such quality that there is incentive to enter the primary market as a competitor. This would create a forward integration threat against the main competitors in the industry. However, without this groundswell of supplier-lead innovation, suppliers remain a minor factor as a competitive force in the industry. The power of suppliers scores a two out of ten.

7.7 The Role of Government

Government regulatory changes could make XBRL consulting services an essential good for many organizations. Specifically, if the United States Securities and Exchange Commission (SEC) demanded that all filings must be compliant with the XBRL standard, it would cause a dramatic change in the industry. All public companies would require XBRL consulting services to maintain its status with the SEC, and the

\textsuperscript{78} Alastair Nimmons, Email communication (August 23, 2006).
\textsuperscript{79} Alastair Nimmons, Email communication (August 23, 2006).
XBRL consulting industry would see an explosion of new demand. As such, government is a potentially powerful force in this industry.

As expected, the XBRL consulting industry is actively lobbying the SEC to make all filings have the XBRL standard. Those efforts appear to be having an effect. The SEC has made several moves which indicate that this regulatory change is a possibility.

In February, 2005, the SEC began to accept voluntary filings of XBRL financial data from public companies. In November, 2005, SEC Chairman Christopher Cox addressed the 14th XBRL International Convention. On October 3, 2006, the SEC held a roundtable with XBRL experts on the standard. The SEC has also developed a website on its interaction with XBRL.

Not surprisingly, there is a subsequent counter-lobby against the SEC initiating these changes. Public companies of course want the option of continuing to not use XBRL consulting services. The interaction of the two conflicting lobby campaigns is the most interesting development in the XBRL consulting industry.

In summary, decisions by government agencies could fundamentally alter the scope and outlook of the XBRL consulting industry. As such, its power is high. It ranks a nine out of ten.

7.8 Bargaining Power of Buyers in the Target Market

The clients in this analysis are granting agencies that manage “transaction models” that distribute funds form its organizations to charity applicants. PricewaterhouseCoopers is hoping to sell XBRL consulting services to granting agencies to manage the technical backbone of its “transaction models.” Thus, granting agencies are buyers, albeit in a different market than the existing marketplace for XBRL consulting services.

Four factors are influencing the amount of power clients have as buyers in the target market:

1. There are substitute software packages available for granting agencies that do not use XBRL-enabled technology. Supplier companies include small custom technology companies such as, NPO Solutions and Epact. These firms offer custom database products for clients that assist with the tracking of grant distribution. However, these products do not enable the “transaction model,” and are not web-based. As such, they have less capability than an XBRL solution would. Most granting agencies are aware of these substitute software products. However, there is a low satisfaction level with their capabilities. This creates an opening for the XBRL consulting industry.

2. There is a level of strategic fit between PricewaterhouseCoopers and granting agencies. PwC is a large firm with long-standing commitments to the community and is regularly participates in charitable activates. Granting agencies are more
likely to purchase products and services from a firm that is established and has reach into the community. This is particularly important since the installation of XBRL consulting services would cause interaction with the primary stakeholders of granting agencies – charities that are applying for grants. This goal congruence between PwC and granting agencies creates a stronger incentive to purchase.

3. Granting agencies have a risk-adverse purchasing framework. They are highly accountable for internal purchases. The XBRL consulting product is at the early adoption stage. Products or services that appeal to early adopters have an element of risk. Commercial buyers (i.e. non end-users) who are early adopters accept this calculated risk with the expectation that it will give them a competitive advantage in their respective markets. However, the charitable granting sector is not structured as a traditional market. There is little incentive for granting agencies to accept risks to gain a “competitive advantage” over other granting agencies. Granting agencies do not perceive of themselves as competitors with each other. As such, being an early adopter does not connect well with the purchasing framework of granting agencies.

4. Granting agencies do not see applying the XBRL standard to its “transaction models” as a necessity. Granting agencies agree that XBRL adds higher degree of functionality to its operations. However, it sees the purchasing the service as having a degree of lavishness. In essence, granting agencies feel that an XBRL-enabled “transaction model” would be nice to have, but not mandatory. In fact,
the charities which interact with the “transaction models” are more inclined to
demand the increased utility that XBRL would deliver. However, granting
agencies are the buyer, not charities.

In summary, there are factors that strengthen and weaken the power of clients as
buyers in the target market. This gives them a “moderate” amount of power as buyers.
The power of clients as buyers ranks a seven out of ten.

7.9 Summary of Competitive Forces

Figure 5 provides a visual summary of the competitive forces affecting the XBRL
consulting industry.

The XBRL consulting industry is in a period of transition. Despite the presence
in the industry of some of the world’s largest firms, the XBRL standard has not gained
full-market acceptance. However, recent moves by regulatory forces and continued
support from companies in the industry have positioned it for growth. One analyst
familiar with the industry summarized it as “the slog is over for XBRL.”

The XBRL consulting industry does have an intense competitive rivalry between firms.
The industry is new and suffers from the lack of network effects, which makes recruiting
new buyers a challenge. As such, internal firm rivalry is increased. The industry remains
unattractive to new entrants because of the size of the firms already in the industry.

84 CFO, “XBRL: From Tags to Riches,” CFO.com (CFO Magazine, March 15, 2005),
Buyers continue to exert power because of the presence of a perceived viable substitute – not using the technology. Suppliers play a limited role in the make-up of the industry. The variable factor in the industry is the role of government. Regulatory changes by the US Securities and Exchange Commission could dramatically affect the size and scope of the industry.

Considering clients in this analysis as buyers, they exert a moderate amount of power. XBRL is a technical solution that would help run its operations better. There are synergies between large XBRL consulting firms like PricewaterhouseCoopers and clients which enable a better selling environment. However, clients have little interest in purchasing a technology that it perceives as “risky.” XBRL consulting services exudes some risk given its marginal adoption rate.

7.10 Chapter Summary

This chapter evaluated the competitive forces facing the XBRL consulting industry. Factors including industry rivalry, new entrants, buyers in the existing market, buyers in the target market, substitute products, suppliers, and the role of government was discussed. The next chapter discusses the primary research conducted by the author for this analysis. Subsequent chapters discuss the overall attractiveness of the target market, and recommended strategic alternatives for PricewaterhouseCoopers.
Figure 5  Summary of the Competitive Forces Affecting the XBRL Consulting Services Industry

Threat of Substitutes (7/10)
Primary substitute is not using XBRL consulting services. Increased attributes of XBRL consulting services will lessen the threat.

Role of Suppliers (2/10)
Suppliers have little power in the industry unless they are able to create a forward integration threat and become a competitor.

Competitive Rivalry (7/10)
Many large players with a sluggish industry growth rate makes the industry very competitive.

Power of Existing Buyers (6/10)
Characterized as being early adopters. Total demand remains marginal but expected to increase.

Role of Government (9/10)
Government regulations changes could fundamentally alter the state of the industry.

Barriers to New Entrants (8/10)
Few formal, but several informal barriers to new entrants, including brand recognition and high buyer switching costs.

Power of Buyers in the Target Market (7/10)
Buyers in the target market have a moderate level of strategic fit with XBRL and the XBRL consulting industry.

Source: Author's Adaptation of the Porter Five-Forces Model85 with two additional forces.

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8 FINDINGS FROM THE INTERVIEW PROCESS

This chapter provides a summary of the personal interviews conducted by the author in completing the research for this analysis. The best way for the author to learn about the issues and concerns of the charitable granting sector was through personal interviews. Internet research or web/email surveys would not provide the richness of information required for this analysis. Further, the culture of the charitable granting sector is more susceptible to face-to-face meetings. In this setting, interviewees are able to be more open and honest, leading to more fruitful discussions and higher quality feedback.

8.1 The Interview Process

In total, the author conducted 16 personal interviews with granting agencies and charities that apply for grants. The interview dates were between September 29th and October 23rd, 2006. Table 11 provides a full interview schedule.
Table 11 Interview Schedule for this Analysis

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
<th>Date of Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scott Fitzsimmons</td>
<td>PricewaterhouseCoopers &amp; Big Brothers</td>
<td>September-October, 2006</td>
</tr>
<tr>
<td>Lizzie Lougheed-Green</td>
<td>Pot-Luck Café</td>
<td>September 29, 2006</td>
</tr>
<tr>
<td>Alan Langdon</td>
<td>2010 Legacies Now</td>
<td>October 1, 2006</td>
</tr>
<tr>
<td>David Lepage</td>
<td>Enterprising Non-Profits (A Division of VanCity’s Corporate Granting Foundation)</td>
<td>October 3, 2006</td>
</tr>
<tr>
<td>Kristie Fairholm-Mader</td>
<td>P.L.A.N.</td>
<td>October 4, 2006</td>
</tr>
<tr>
<td>Kathleen Freshwater</td>
<td>Victoria Foundation</td>
<td>October 6, 2006</td>
</tr>
<tr>
<td>Karen Zeleney</td>
<td>BC Gaming Commission – Granting Division</td>
<td>October 6, 2006</td>
</tr>
<tr>
<td>Mijon Pak</td>
<td>Office of Ujjal Dosanjh, MP</td>
<td>October 11, 2006</td>
</tr>
<tr>
<td>Deanna Ziebart</td>
<td>Developmental Disabilities Association</td>
<td>October 13, 2006</td>
</tr>
<tr>
<td>Janice Abbott⁶⁶</td>
<td>ATIRA Women’s Centres</td>
<td>October 15, 2006</td>
</tr>
<tr>
<td>Jane O’Conner</td>
<td>BC Mental Health Association</td>
<td>October 17, 2006</td>
</tr>
<tr>
<td>Kathleen Speakman</td>
<td>BC Technology Social Venture Partners</td>
<td>October 17, 2006</td>
</tr>
<tr>
<td>Jeff Callbeck</td>
<td>United Way</td>
<td>October 18, 2006</td>
</tr>
<tr>
<td>Nathan Elision</td>
<td>City of Vancouver</td>
<td>October 23, 2006</td>
</tr>
<tr>
<td>Rick Warner</td>
<td>NSERC</td>
<td>October 23, 2006</td>
</tr>
</tbody>
</table>

Source: Author.

Fifteen of the 16 interviews were in-person with relevant staff or volunteers from each organization. A scheduling conflicted caused one interview to be on the telephone. The author prepared a questionnaire to guide the interviews. However, the majority of the interviews were un-structured, free-flowing discussions. Most interviews lasted 30-45 minutes.

8.2 Key Findings

Given the diverse group of interviewees who agreed to participate in the process, there were no uniform opinions on exactly what was right or what was wrong with the

⁶⁶ Janice Abbot, Personal interview (Vancouver, BC, October 15, 2006; Author’s notes).
charitable granting sector or the "transaction models" managed by granting agencies. However, it is possible to identify some clear trends from the responses from the interviews.

8.2.1 There Is Low Satisfaction with Current Transaction Models

None of the interviewees felt that the current system is perfect. Most interviewees feel that current granting agency "transaction models" require an upgrade. This feeling was more acute from the charity interviewees than from interviewees from granting agencies. This is to be somewhat expected because granting agencies would have to pay for and manage a "transaction model" upgrade. Charities would not have to contribute financially to this initiative.

Complaints varied as to what was exactly wrong with the current system. However, concerns about the lack of standardization in the system, its inability to incorporate web-based technologies, and the turnaround time from grant application to decision were the most cited. A "transaction model" enabled with the XBRL standard would assist in solving many of those frustrations. Of the three types of granting agencies, public-sector agencies were the most criticized and seen as the most in need of reform.

8.2.2 There Is a Growing Divergence between Clients and Charities

There is a growing divergence of goals and objectives between granting agencies and charities. There is an informal rivalry that forms between those who are constantly asking for money or resources (charities), and those who have the money (granting
agencies). Charities feel that granting agencies do not have a full sense of their needs and requirements as organizations. Charities also feel that the application process and the grant “transaction models” are incessantly complex. The “models” involve paperwork for the sake of filling out paperwork, without any strategic purpose. It is also a repetitive process, and many charity interviewees felt that it suffers from a lack of logic. Similarly, granting agencies do not always feel that charity applicants understand its roles. Recent accountability scandals exacerbated the need for stringent grant application requirements. This results in a longer and more complex process.

Interviewees from both charities and granting agencies felt that this communications gap is becoming more of a concern. Many who have been involved with the charitable granting sector felt that the communications gap is getting worse rather than better. Certain charity interviewees even mentioned fear of retribution if they were critical of the granting agencies. The author took steps to ensure interviewee confidentiality and maintain its trust. As such, no statements that were critical of granting agencies in this analysis are directly attributable to a specific individual. However, it further highlights the point that there is a growing separation between the two groups.

8.2.3 Demand for Change Is not Driven by Clients

Interviewees from charities were more frustrated with current “transaction models” than interviewees from granting agencies. Charities are frustrated that there are little to no scale effects in the application process. As mentioned in chapter six, the overly-specific nuances of grant applications force charities to adjust the scope, goals and
objectives of its organizations to fit the narrow application requirements. For example, twenty different grant applications demand twenty different styles of financial statements. Searching and modifying this data is an exhaustive effort for charities. Further, charities perceive that this work adds little or no value to the granting agency.

Granting agency interviewees had some understanding of this problem. They have a peripheral awareness of the concerns of charities. However, possible solutions to the frustrations of charities are not under active consideration. There is no formal organization that can act as a catalyst for reform. Sector-wide associations or granting agency working groups do not exist.

8.2.4 XBRL is not seen as a Necessity

Nobody from either side of the charitable granting sector has ever heard of the XBRL standard. However, other common technical acronyms, such as XML or ERP, did not resonate either with interviewees. This indicates a broader lack of awareness relative to new or emerging technologies. When the author described what XBRL is and what it could do for granting agencies or charities, the responses were positive from both groups. Responses ranged from “that technology would be helpful” to “could you implement this yesterday!” However, when the discussion ranged to buying expectations by granting agencies, there was more aversion. The purchase of XBRL consulting services is a luxury, rather than a necessity.

87 Janice Abbot, Personal interview (Vancouver, BC, October 15, 2006; Author’s notes).
Granting agencies require case-studies of success stories of XBRL, and concrete demonstrations of value for dollar. As an emerging industry, XBRL consulting services struggles to present this evidence. The industry remains partially founded on the “promise” of the XBRL standard. It suffers from a base of customer testimonials and concrete evidence as a value generating tool.

8.2.5 There is a Minimum Capacity Issue

Granting agencies must process a minimum number of grant transactions in a year to have a demand for XBRL. This is not a challenge for public-sector granting agencies (BC Lotteries, Human Resources Canada), which evaluate thousands of applications every year. However, most private and corporate granting agencies do not believe its “transaction models” process enough grant applications to make XBRL useful.

Interviewees from granting agencies did have an interest in examining a consolidated or shared-services model formed between multiple granting agencies (chapter five has a profile of an XBRL shared-services model). A shared-services model would greatly increase the number of applications processed in a single “transaction model.” This would solve the minimum capacity issue. As mentioned previously, there is no catalyst advocating for a shared-services model. Thus, most interviewees from granting agencies felt that forming a shared-services consortium was unlikely.

8.3 Synopsis of Findings from the Interviews

There are two key findings from the interviews. First, there is a need for reform in granting agency “transaction models”. Current “transaction models” are low-tech,
inefficient, and do not encourage obvious scale effects. Second, the demand for reform is stronger from the charities rather than granting agencies. Charities that regularly apply for grants are frustrated with the current system. Current "transaction models" force charities to constantly modify and re-submit common pieces of data. This creates a system without scale effects for charities, and greatly increases the amount of time and attention they spend on applying for grants. Granting agencies do recognize these concerns, but have made little effort to alleviate them. They would be responsible for purchasing and managing any reform efforts, as such there is little incentive to start.

The interview process identified several valid concerns by charities of granting agencies. However, charities have a fear of retribution if they criticize and raise these concerns. Needed criticism is therefore undersupplied. Unfortunately, criticism is what the charitable granting sector most requires. Constructive criticism would benefit granting agencies and the charities that they serve.

8.4 Chapter Summary

Sixteen interviews with granting agencies and charities provided the primary research to complete this analysis. The interviews discovered two key findings: dissatisfaction with grant "transaction models" by charities, and a growing communication gap between granting agencies and charities. The next chapter synthesizes the key points discussed in the previous eight chapters of this analysis. Chapter ten provides a strategic recommendation for PricewaterhouseCoopers relative to entering the target market.
9 SUMMARY OF KEY ISSUES

This chapter synthesizes all of the key information provided in this analysis thus far into five key issues. These key issues will provide the basis for the penultimate strategic recommendation in the final chapter.

9.1 Key Issues Identified in this Analysis

9.1.1 Key Issue One – There Is a Need for the Capabilities of the XBRL Standard

Current “transaction models” used by granting agencies are low-tech. All “transaction models” examined while doing the research for this analysis do not use web-based technologies, and do a poor job of tracking and managing its data. This creates an inefficient system and provides poor knowledge management capabilities for granting agencies. Applying the XBRL standard would add a higher level of utility. Chapter five highlighted the following benefits of XBRL-enabled “transaction models” for granting agencies.

1. XBRL allows for greater data drill-down capabilities, allowing granting agencies to easily search through its current and historic data. This greatly increases its knowledge management capabilities.

2. XBRL expedites the production of financial reports and filings with Canada Customs and Revenue Agency by a granting agency. All key pieces of data are centrally located which reduces preparation and auditing time.

3. XBRL reduces data inputting errors and breaches of semantic meaning (XBRL can identify a violation of business rules such as debits not equalling credits).

4. XBRL’s data tagging abilities streamline the application process. This improves the speed and quality of applications submitted and should reduce administration costs for granting agencies.
9.1.2 Key Issue Two – Clients Have the Required Purchasing Power

Granting agencies are large organizations. Sample granting agencies include Human Resources Development Canada, the United Way, and the VanCity Foundation. These are large entities with ample purchasing power. The Vancouver Foundation alone spends in excess of three million dollars a year on granting and donor administration expenses. These groups would have the fiscal capacity to invest in XBRL consulting services provided it met their business objectives.

9.1.3 Key Issue Three – The Demand for Change is Not Emanating from Clients

The interview process identified that granting agencies do not drive the demand for operational reform of its “transaction models.” The demand for change comes from charities that apply for grants. Charities see the system as inefficient and an unnecessary drain on its resources. They are strongly in favour of a new system that enables more commonalities between granting applications. The XBRL standard meets many of its needs. However, granting agencies are the purchaser, not charities. There is little pressure exerted on granting agencies to invest in new technologies or operational systems. As such, granting agencies do not see as acute of a need for operational reform of its “transaction models.”

9.1.4 Key Issue Four – Clients are Concerned about the Newness of XBRL

Several granting agencies raised concerns about investing in XBRL because it is new and does not have a track-record of success in its charitable granting sector. As such, there is hesitation about incorporating the XBRL standard into its “transaction models.” Common concerns raised by granting agencies included a lack of knowledge of XBRL, down-time of the transaction model during the implementation of XBRL, and regular access to training resources. There were also some image concerns by granting agencies about purchasing XBRL having an element of extravagance. The charitable granting sector is not extravagant. Granting agencies are also likely to be risk-adverse as a buying group. They are not likely to be new adopters of technology.

9.1.5 Key Issue Five – There Is no Catalyst for Standardization

There is no working group in the charity granting sector looking into ways to improve operations. There is no single catalyst advocating for change. A formal structure is required to look at ways to streamline operations across multiple granting agencies. This would be for the betterment of the charities that submit grant applications and for the overall efficiencies of granting agencies. That structure is not in place.

9.2 The Attractiveness of the Target Market

There are factors working for and against the charitable granting sector being an attractive market for XBRL consulting services. Supportive factors include an identified need for XBRL in the target market. PricewaterhouseCoopers is a respected supplier of XBRL consulting services, and has a strong corporate reputation within the community.
This is appealing to buyers such as granting agencies. The overall competitive position of PwC is very high.

Conversely, there are significant challenges in transferring the identified need for XBRL from granting agencies into a measurable demand. The need for “transaction model” reform is more acute from charities that apply from grants rather than granting agencies that manage the process. As such, there are few incentives for granting agencies to make capital investment in reforming their “transaction models.” Finally, granting agencies are risk-adverse organizations. This is a barrier for adoption for XBRL.

In summary, there are both attractive and unattractive elements to this target market. Given this relative balance, the target market is only “moderately” attractive for PricewaterhouseCoopers.

9.3 Future Issues

Two external factors could shift the attractiveness of the target market (shown as to in Figure 6). First would be overall growth of XBRL and the XBRL consulting industry. As awareness grows about XBRL as a technical standard it will have more adopters. Supplemental items such as XBRL case-studies and success stories will become more prevalent. These types of items make XBRL more saleable to new markets. Clients in this analysis are risk-averse. To present these clients a more established technical standard in a more established industry reduces this risk.
The second factor that could shift the attractiveness of the target market is a formal positioning statement from charities that apply for grants. This analysis highlighted the frustration of charities with granting agencies “transaction models.” If this frustration becomes palpable enough, charities could work together to demand reform. They could provide the “constructive criticism” that granting agencies require. The challenge is the diversity and un-connectedness of charities that apply for grants. They hold different beliefs and have different stakeholders. However, if they were able to speak as a collective force, they would exert some influence with granting agencies. These efforts could force granting agencies to invest in its ‘transaction models.”

Figure 6 summarizes PricewaterhouseCoopers’ competitive position versus the attractiveness of the target market. The current competitive position is labelled (t), with a medium attractive market and strong competitive position for PwC. The desired situation is labelled (tₚ), with a more attractive target market and even stronger competitive position of PwC. The most likely scenario is labelled (tₑ). Without intervention, the attractiveness of the target market becomes only somewhat stronger over time. PwC’s competitive position will become somewhat stronger as well.
Figure 6 Assessment of PricewaterhouseCoopers Competitive Position Versus the Attractiveness of the Target Market

| PricewaterhouseCoopers Competitive Position in the XBRL Consulting Services Market |
|---------------------------------|--------|----------|
| Strong                          | Medium | Weak     |
| Strong                          | t_0    |          |
| Medium                          | t_1    |          |
| Weak                            | t_2    |          |

\[ t = \text{Current Situation} \]
\[ t_0 = \text{Desired Outcome} \]
\[ t_2 = \text{Expected Outcome} \]

Source: Author.

9.4 Chapter Summary

This chapter discusses the key issues affecting the target market. From the perspective of PricewaterhouseCoopers, the target market is "moderately" attractive for its XBRL consulting services business unit. The next chapter discusses strategic alternatives for PwC as a result of the research done for this analysis.
This chapter outlines four strategic alternatives for PricewaterhouseCoopers. Three separate criteria evaluate the merits of each alternative. These criteria considered together produces a total quantitative score. The strategic alternative with the highest qualitative score is the recommended strategy. The three criteria used to evaluate each alternative are as follows:

1. Strategic fit for PricewaterhouseCoopers. How does the recommended strategy fit the internal goals and objectives of PwC? Those goals and objectives are corporate growth and the growth of its XBRL consulting services business unit. **The weight of this metric is 30%**.

2. Strategic fit for the Target Market: How would granting agencies and charities react in its role as a buyer to the strategy? **The weight of this metric is 35%**.

3. Profit/Loss Expectations: How likely is the strategy to make or lose money for PwC? **The weight of this metric is 35%**.

### 10.1 Do Not Enter the Target Market

*(Strategic Alternative Number One)*

Any set of strategic alternatives always considers the option of inaction. PricewaterhouseCoopers could decide not to pursue the charitable granting sector for its XBRL consulting services. The company could focus on exclusively growing its XBRL business unit within its primary market – the corporate financial reporting sector. This alternative is very safe for PricewaterhouseCoopers and is the most risk-adverse.
Strategic Fit for PricewaterhouseCoopers: All risk-adverse alternatives always have some level of strategic fit for a company. Not pursuing the target market in this analysis reduces distracted executive time and allows the leadership of PwC to focus on its most profitable business units. However, this option will not grow the XBRL consulting services business unit. It also will not broaden the strategic reach or scope of PwC within the charitable granting sector. The strategic fit for PwC of this alternative scores a six out of ten.

Strategic Fit for the Target Market: Granting agencies are the clients in this analysis. Its demand for XBRL consulting services is “moderate.” Granting agencies exist to serve the charities that apply for grants. Those charities see a much higher need for business operational reform of the charitable granting sector. The research in this analysis identified that the XBRL standard has the ability solve many of the frustrations of charities. PwC not pursuing this target market ignores this potential business opportunity. The strategic fit for the target market of this alternative scores a five out of ten.

Profit/Loss Expectation: Not pursuing this opportunity spares any risk of loss for PwC. Executive time devoted to this effort would be devoted to other profitable ventures. However, there are opportunity costs to not pursuing the target market in this analysis. Any prospective profits derived from the target market are not captured. The profit/loss expectation for PwC scores a five out of ten.
### Table 12  Summary of Strategic Alternative Number One

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>X/10</th>
<th>Total Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Fit for PwC (30%)</td>
<td>6/10</td>
<td>1.80</td>
</tr>
<tr>
<td>Strategic Fit for Target Market (35%)</td>
<td>5/10</td>
<td>1.75</td>
</tr>
<tr>
<td>Profit/Loss Expectations (35%)</td>
<td>5/10</td>
<td>1.75</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>5.30</strong></td>
</tr>
</tbody>
</table>

Source: Author.

The total score for the alternative of not entering the target market is 5.30 out of a maximum score of ten. Scores that range between four and six have a moderate level of strategic fit. Therefore, this alternative is not an ideal strategy.

### 10.2 Piecemeal Entry into the Target Market (Strategic Alternative Number Two)

The second alternative evaluated is a piecemeal entry strategy designed to make the target market more attractive before employing a full entry strategy.

PricewaterhouseCoopers could undertake organizational development work with both charities and with granting agencies designed to help them identify flaws in its “transaction models.” PwC is one of the world’s leading firms in designing and implementing change management strategies. As such, organizational development work and change leadership is one of its core competencies.
PwC could be the catalyst for standardization in the charitable granting sector. PwC could help form steering committees and advocacy groups that would be a vehicle for instituting reform. A central sector-wide body could help build strategic alliances between granting agencies. This would lay the required groundwork for a shared-services model across multiple granting agencies. A more collaborative target market is more susceptible to recognizing the need for the XBRL standard and purchasing XBRL consulting services.

*Strategic Fit for PricewaterhouseCoopers:* PricewaterhouseCoopers is a leading firm at implementing organizational change in third-party groups. PwC has very strong capabilities at pulling unconnected groups together and having them work collaboratively. This alternative also has synergies for PwC’s existing community service efforts, such as the work it already has conducted for the United Way. As such, these efforts fit well with PwC’s core competencies. This strategy also allows for longer-term pursuance of new target markets for XBRL, which is one of the goals of PwC. The strategic fit for PwC of this alternative scores an eight out of ten.

*Strategic Fit for the Target Market:* This alternative allows time for PwC to work with granting agencies to build awareness of XBRL and demonstrate its strategic fit with the charitable granting sector. It also helps build a level of trust in PwC as a supplier. If the organizational development efforts were successful, it is likely that granting agencies would have increased demand for XBRL consulting services. However, any organizational development efforts must not be done solely with revenue or profit in mind. Granting agency staff would see through shallow initiatives that are not
considerate of its best interests. The strategic fit for the target market of this alternative scores a seven out of ten.

*Profit/Loss Expectation:* This alternative has direct costs. The organizational development work required for this alternative would be without charge to either charities or the charitable granting industry. It also would be a challenge for even professional firms like PwC because granting agencies are dispersed groups. Despite being in the same sector, granting agencies do not work together and have no collective structure. This alternative could lead to profits in the long-run if the attractiveness of the target market is increased. However, it is the most expensive of the alternatives to implement. The profit/loss expectation for PwC scores a four out of ten.

*Table 13 Summary of Strategic Alternative Number Two*

<table>
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<tr>
<th>Evaluation Criteria</th>
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<th>Total Score</th>
</tr>
</thead>
<tbody>
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<td>Strategic Fit for PwC (30%)</td>
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<td>2.40</td>
</tr>
<tr>
<td>Strategic Fit for Target Market (35%)</td>
<td>7/10</td>
<td>2.45</td>
</tr>
<tr>
<td>Profit/Loss Expectations (35%)</td>
<td>4/10</td>
<td>1.40</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>6.25</strong></td>
</tr>
</tbody>
</table>

Source: Author.
The total score for the alternative of a piecemeal entry into the target market is 6.25 out of a maximum score of ten. Scores that range between six and eight have a high level of strategic fit. This alternative is a stronger strategy.

10.3 Full Entry Into the Target Market
(Strategic Alternative Number Three)

The third alternative is to immediately enter the target market. PricewaterhouseCoopers could aggressively target granting agencies to procure its XBRL consulting services. PwC would most likely focus initially on public-sector granting agencies. Public-sector granting agencies have the largest purchasing capacity. They also process more grant applications than the other types of granting agencies (private and corporate). PwC would have to produce a series of marketing materials and “sales decks” on the capabilities of XBRL relative to the charitable grating sector. Since all granting agencies as risk-adverse buyers, the materials must focus on allaying concerns about the newness of XBRL and the XBRL consulting industry.

Strategic Fit for PricewaterhouseCoopers: This analysis determined that the target market currently only has “moderate” demand for XBRL consulting services. Applying a full-entry strategy into a “moderately” attractive new market implies significant risk for PwC. This alternative would require a lot of immediate time and attention from the XBRL consulting staff and from its sales force. However, if the efforts are successful, PwC would become one of the first firms to expand XBRL consulting services into new markets. The strategic fit for PwC of this alternative scores a five out of ten.
**Strategic Fit for the Target Market:** XBRL provides an extra level of utility to the “transaction models” of granting agencies. However, granting agencies are risk-adverse organizations, and are hesitant to purchase relatively untested products like XBRL consulting services. The level of strategic fit is “moderate.” An immediate entry strategy does nothing to increase demand for XBRL consulting services among granting agencies. The strategic fit for the target market of this alternative scores a four out of ten.

**Profit/Loss Expectation:** This alternative also implies sinking some costs of new marketing materials and time and effort from the leadership of PwC. However, those costs are not exorbitant. This alternative enables some economies of scope within the XBRL consulting services business unit. If the strategic alternative works, it has the potential to be very profitable. The profit/loss expectation for PwC scores a seven out of ten.

The total score for the alternative of full entry into the target market is 5.35 out of a maximum score of ten. Scores that range between four and six have a moderate level of strategic fit. Similar to strategic alternative number one, this is not an ideal strategy.
<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Score</th>
<th>Total Score</th>
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</thead>
<tbody>
<tr>
<td>Strategic Fit for PwC (30%)</td>
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<td>1.50</td>
</tr>
<tr>
<td>Strategic Fit for Target Market (35%)</td>
<td>4/10</td>
<td>1.40</td>
</tr>
<tr>
<td>Profit/Loss Expectations (35%)</td>
<td>7/10</td>
<td>2.45</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>5.35</td>
</tr>
</tbody>
</table>

Source: Author.

10.4 Co-Entry with a Competitor  
(Strategic Alternative Number Four)

PricewaterhouseCoopers could join forces with a competitor to enter the charitable granting sector. This alterative is similar to strategic alternative number three. However, instead of attempting to enter the new market alone, they would work collaboratively with a competitor. This alternative would add more credence to XBRL consulting services in the opinion of the buyer. To present a larger, more collaborative product can help alleviate pre-purchase dissidence from a risk-adverse buyer. However, this alternative brings up several competitive issues for PwC.
Strategic Fit for PricewaterhouseCoopers: This alternative has a very poor strategic fit for PricewaterhouseCoopers. The level of competitive rivalry in the XBRL consulting industry is high. There is little appetite for competitive firms in the industry to share best practices and marketing techniques. The strategic fit for PwC of this alternative scores a one out of ten.

Strategic Fit for the Target Market: This alternative has a higher level of strategic fit for granting agencies. This alternative slightly reduces the purchase risk for buyers. However, it will not dramatically change the purchase environment. The target market remains only “moderately” attractive under this strategic alternative. The strategic fit for the target market of this alternative scores a five out of ten.

Profit/Loss Expectation: Two firms would share any profits captured from the target market. Additionally, there would be costs in searching for a partner and solving some of the competitive issues discussed. Costs of developing marketing and sales material would likely be about the same as in strategic alternative number three. The profit/loss expectation for PwC scores a three out of ten.
### Table 15 Summary of Strategic Alternative Number Four

<table>
<thead>
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<th>Evaluation Criteria</th>
<th>X/10</th>
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</tr>
</thead>
<tbody>
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<td>Strategic Fit for PwC (30%)</td>
<td>1/10</td>
<td>0.30</td>
</tr>
<tr>
<td>Strategic Fit for Target Market (35%)</td>
<td>5/10</td>
<td>1.75</td>
</tr>
<tr>
<td>Profit/Loss Expectations (35%)</td>
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<td>1.05</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>3.10</strong></td>
</tr>
</tbody>
</table>

*Source: Author.*

The total score for the alternative of co-entry into the target market is 3.10 out of a maximum score of ten. Scores that range between two and four have a low level of strategic fit. This alternative is a weak strategy.

### 10.5 Final Recommendation

This chapter evaluated four strategic alternatives. Table 15 displays the total scores for each of the strategic alternatives. Strategic alternative two, a piecemeal entry strategy into the target market, ranks the highest. This alternative therefore becomes the recommended strategy for PricewaterhouseCoopers.
Table 16  Final Summary of the Four Strategic Alternatives

<table>
<thead>
<tr>
<th>Strategic Alternatives</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 - Do Not Enter the Target Market</td>
<td>5.30</td>
</tr>
<tr>
<td>#2 - Piecemeal Entry Into The Target Market</td>
<td>6.25</td>
</tr>
<tr>
<td>#3 - Full-Entry Into the Target Market</td>
<td>5.35</td>
</tr>
<tr>
<td>#4 - Collaborative Entry Into the Target Market</td>
<td>3.10</td>
</tr>
</tbody>
</table>

Source: Author.

The advantage of the second strategic alternative is that it is the one strategy that attempts to make the target market more attractive before employing an entry strategy. It attempts to move the attractiveness of the industry to the “Desired State” as shown in Figure 6 in the previous chapter. This strategy works with granting agencies and charities to build the required collaboration needed to fully utilize the capabilities of XBRL. PwC becomes the catalyst for standardization that will make the target market more attractive.
10.6 Concluding Thoughts

The introduction chapter stated that the objective of this analysis is to examine the target market as a business opportunity for PricewaterhouseCoopers. This analysis determined that there was a "moderate" level of strategic fit for XBRL consulting services in the target market. This "moderate" level of strategic fit implies that entering the target market has an element of risk for PwC. The final chapter in this analysis recommended a strategy to reduce this risk, and provide the building blocks to increase demand for XBRL consulting services in this new market.
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