

## **Extending the enterprise with Electronic Commerce/EDI**

The use of E-Commerce/EDI is a business decision and should be made by the management team in concert with Information Technology (IT). Often the challenge to get EC/EDI selected, installed and up and running is turned over to the IT department. Yet if IT were the sole party involved in the selection of other key business software then a co-operative process would be enforced.

EC/EDI needs senior management support ! Properly implemented it will impact all systems in the enterprise. Expect EDI to affect the supply chain management applications (order entry, accounts receivable, accounts payable, purchasing, traffic/logistics) as well as human resources, payroll, and just about any system that has external interfaces. Currently these interfaces may be manual and involve faxes or phone calls. If the volume warrants, they can become automated. Included in the EDI team should be a champion: a senior manager who can influence the various business units in the enterprise and co-ordinate the effort to investigate, evaluate and then integrate EDI, where applicable, into the systems that support their business processes.

EC/EDI is used to communicate transactions to the organization's trading partners - the customers, suppliers, and third parties that facilitate the transactions (banks, shipping companies, customs brokers etc.). Although originally designed as computer-to-computer exchange of data, the goal of EDI is now to provide the application-to-application exchange of standard business transactions between trading partners.

The use of EC may be broadly defined as the transmission of business data between trading partners, including EDI, Web interfaces, fax, and phone. The Web, while attracting much of the attention of journalists and consumers, accounts for a small percentage of the business being done electronically today and for the foreseeable future.

For the most part the Web is being used as a low cost method of capturing orders from low volume, often infrequent customers. There are other transactions which can be done economically over the web including stock status, order status, return authorization - each of which can help the customer service team to partner with trading partners. Each of course requires effort to implement.

When your organization is trying to figure out how to implement EC/EDI use a team approach. In most organizations the EDI function can support and influence several business processes and will require integration with the applications that support those processes. The functional area and IT team should work with the various trading partners to define the transactions required and then detail how the transactions can be automatically fed to or from the appropriate systems.

- 1) Start with an overview of the company's customers - who are they and what kind, volume and dollars value of transactions does the company do with them? What is the annual cost of processing these transactions?
- 2) Are there any invisible transactions (like the order status phone calls that are not tracked)?
- 3) What business processes create or require these transactions?
- 4) What application systems support the business process?
- 5) How will the system need to be changed if all customers over a certain volume are served by EDI?
- 6) After a certain momentum is reached, is it economical or necessary to continue business directly with partners who are unwilling or unable to communicate through EC?
- 7) Would there be a benefit to doing some of the customer transactions over the Web?
- 8) What would need to be in place to allow this to happen ?
- 9) How will the "stateless" transactions be handled?
- 10) How will security be implemented?
- 11) What changes to the business process will be necessitated by EC/EDI?
- 12) What steps is your organization taking to plan the implementation of EC/EDI?
- 13) How will this change the relationships you have with our customers and suppliers?
- 14) Who are the people on the team for each of the departments implementing EC/EDI?
- 15) How will IT and functional management work to implement the changes over the next 3-5 years?

Just as the accounting, MRP, or inventory have IT manage the system on behalf of the users, so shall it be with EDI. In fact the team for EDI is just as permanent as the team for the accounting or other core business systems - EDI is a core business system which interfaces to most of the systems in an enterprise.

Implementing EDI is not a single project but a series of steps being implemented for different trading partners. As each relationship with a trading partner grows the repertoire of transactions and indeed the transactions themselves will evolve. Eventually all the transactions which are frequent and therefore economical to implement will be done. The process of working together to bridge the two organizations' systems will enhance the teamwork between the two entities.

This article was written by Birket Foster, founder of M. B. Foster Associates. Birket has been actively involved in the HP marketplace since 1974. He has had several papers published and is a frequently invited speaker at Hewlett-Packard Users Groups and Technology Conferences across North America.

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Contact M.B. Foster Associates, 82 Main St. South, Chesterville, Ontario, K0C 1H0;  
1-800-ANSWERS (that's (800) 267-9377), (613) 448-2333 or by fax (613) 448-2588 or  
at <http://www.mbfoster.com>