Chapter XII

E-Business

In this chapter, I examine electronic data interchange and the phenomenon of e-business with a focus on e-procurement.

A Definition of Electronic Data Interchange

The broadest definition of electronic data interchange (EDI) is the exchange of information between two different computer systems. During the 1980s, the introduction of information technology (IT) into companies has enabled significant change within business (e.g., change in working practices, change in organisational structure, change to business strategies), thus bringing improved efficiency, management control, and customer service and with them, a bottom line of greatest importance, perhaps, in the 21st century.
Technologies such the PC, local area networks (LANs), and more widely based corporate networks have been adopted, and within an organisation, this has enabled the application (e.g., a material requirements planning system) to be brought closer to the end user and has facilitated the sharing of information among applications across common databases. This implementation of technology has brought with it real business benefits to the organisation.

There is, however, a further dimension to the implementation of IT, and this is the electronic exchange of information between the applications of different organisations: electronic data interchange. The business requirement for EDI is clear: Whatever the business, organisations must be able to trade in order to survive. To achieve this, documents such as orders, delivery instructions, and invoices must be interchanged and processed. Furthermore, because market conditions can change rapidly, these communications must be fast and accurate, with administrative processes minimised to ensure that, at all times, market opportunities are exploited and profits are maximised. In other words, the organisation needs to communicate effectively with all of its trading partners, whatever their function in the supply chain, whatever their size, and wherever they are. EDI services allow the exchange of trading data, such as orders and invoices, directly from one computer system to another, regardless of its make, size, or location and without the need for manual intervention. As such, the consequential benefits to be obtained from the use of EDI are very significant.

In the ordering process alone, the speed of moving information means that the supply chain can work together to ensure the right stock is in the right place, to ensure that the order is delivered on time, to ensure that the market opportunity has been captured, and to minimise working capital in the process. In short, EDI gives competitive advantage in competitive markets.

The winners of the 21st century will be those organisations that not only implement but also exploit IT and particularly EDI more creatively, more efficiently, and more successfully than their competitors. They will be companies that form much closer working relationships with their trading partners, customers and suppliers, and EDI will be a key enabler in this process.

**The Fundamentals of EDI**

There are many different ways in which two businesses can communicate with one another: face to face meetings; paper transactions; telephone conversations; the telex or the fax; and, more recently, electronic mail. In each of these cases, an “operator” is required within each organisation for the communication to be completed — in essence, they are all forms of person-to-person communications. In addition to personal communications, IT has allowed organisations to
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