

## White Paper

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# THE FUTURE OF B2B LEADERS:

## *The Transition from Operations to Business Value Drivers*

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**E**lectronic Data Interchange (EDI) was originally adopted to drive out the latency and errors associated with the management of manual/paper based-interactions in the transportation industry. The efficiencies achieved quickly drove adoption in other vertical markets. As an electronic replacement of paper-based communication between two business entities, EDI provides effective, standards-based communications to automate business processes.

This white paper provides an overview of the growing opportunities for EDI managers and coordinators. It highlights how their role can change from being responsible for implementation of technologies for operational activities to being infrastructure leaders. It shows how they can deliver increased efficiencies and velocity for value chain automation, which increases visibility, control and agility for a business. This paper will address the emerging trends in EDI and the future opportunities for EDI managers and coordinators. This white paper takes a holistic view of the current status and future of EDI through an independent survey conducted by Canvas Group of over 351 EDI stakeholders (EDI Coordinators/Manager/Directors).

### **The topics included in this white paper are:**

- i. An introduction to EDI
- ii. Key implementation challenges
- iii. ROI from EDI
- iv. What are the trends in EDI?
- v. Future of EDI
- vi. Skills required for an EDI Manager/Coordinator
- vii. Role of an EDI Manager/Coordinator?
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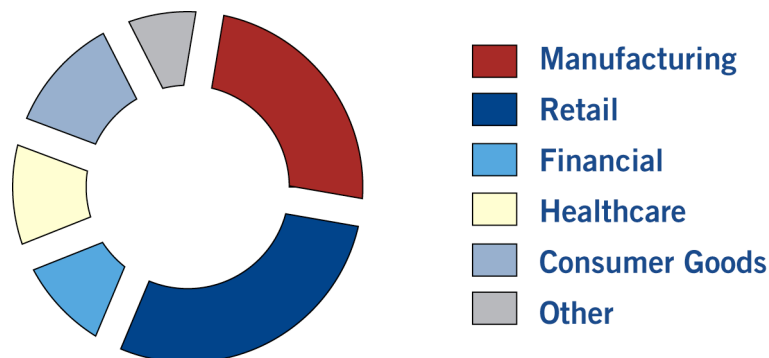
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## Introduction

EDI (Electronic Data Interchange) is a set of standards that enable computer-to-computer exchange of information for highly automated processes. It enables the electronic exchange of documents in bulk between multiple parties, whether they are inter or intra-organizational. The information is exchanged in a standard format that all of the parties in the loop follow.

To be effective, EDI should also comply with the guidelines set by various national and international agencies. In the US, the standard set by the American National Standards Institute (ANSI), Accredited Standards Committee (ASC) X12 is largely followed. However, in Europe the International Standards Organization and United Nations' Economic Commission for Europe (UN/ECE) have set Electronic Data Interchange for Administration, Commerce and transport (EDIFACT) as the standard for EDI.

The transportation industry, leveraging a data format named TDCC, was the first to implement EDI in the 1970s. Today, EDI is used in the majority of all business-to-business e-commerce transactions, regardless of industry, to replace conventional paper-based methods of documentation exchange (See Graph 1).



Graph 1: EDI usage by industry among 351 survey participants

Manufacturing and retail organizations form over 50 percent of the total number of companies that have implemented EDI.

## Why do companies implement EDI?

Initially, business implemented EDI to gain speed over the traditional methods of recording transactions. This had the added benefits of improving order accuracy and subsequently accelerating the order-to-payment lifecycle.

Suppliers, however, have often had to be mandated to use EDI. This was done in order to make the hub see a future potential in EDI. However, over time the concentration of EDI's value proposition has changed from solely benefiting the hub to providing better support to the trading partners.

Some other reasons why companies implement EDI:

- **Competitive differentiation**

EDI improves speed and accuracy of the entire order-to-payment lifecycle. It aids better management of claims, invoice generation and processing. This not only results in a better cash flow, but also ensures customer satisfaction, which can translate into a higher rate of customer retention.

- **Economic and operational benefits**

EDI requires minimal human interaction and intervention to handle data. In fact, 48 percent of the companies surveyed that have implemented EDI report a corresponding reduction in business costs.

- **Value for both supplier and buyer to reduce order-to-payment lifecycle and improve assortment optimization**

Over time, the value proposition has changed from being primarily hub-focused to also supporting improvements for the spoke or supplier. The initial return lay in improving payment cycles and accuracy in managing the order-to-cash lifecycle. The value continues to change over time with the automation of order-to-fulfillment and the extended support for forecasting, warranty, claims and other non-supply chain activities support by standards-based data exchange.

## ***Key Implementation Challenges***

### **Change in business process**

Business processes must adapt to deal with the faster processing of documents and communication. Most businesses, however, are used to processes that employ manual (and thereby slow) handling of documentation, and changing these can be quite a task.

**Partner capabilities**

A core challenge to implementing EDI centers on your business partners’ ability to implement and readiness/desire to implement. Implementing a trading community initiative is time-consuming and complex due to the disparate technologies (or lack thereof) each of your trading partners currently uses. Identifying each partner’s capabilities and persuading them to invest time and cost into new technology is a time-consuming endeavor, and suppliers often do not see the inherent value of implementing such a solution. However, 29% of the companies surveyed mentioned a partner mandate as the reason for implementing EDI, proving it can be done.

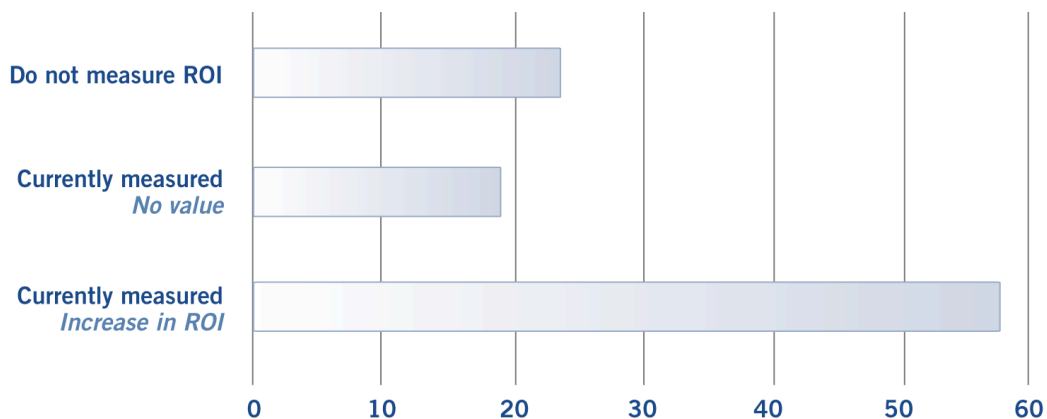
**Cost, time and resources required for the initial setup**

The cost involved in setting up the initial hardware and software for EDI can be very high. The process then needs to be programmed and tested, which requires additional resources and funds. Though these costs are incurred only in the initial stage, some organizations fail to see the long-term benefit these preliminary expenses can help realize.

**ROI from EDI**

EDI implementation can give a company a significant edge over its competitors. It requires less time and manpower on the creation and exchange of any mission-critical documents, and ultimately speeds up the supply chain.

EDI not only increases ROI in monetary terms, but also in strategic terms. Fifty-eight percent of companies surveyed reported a measured increase in the ROI (See Graph 2).



*Graph 2: ROI from EDI and B2B is clear and measurable*

**Reduction in cost**

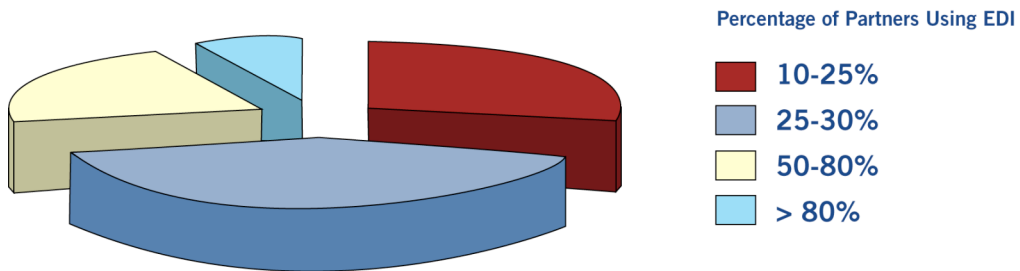
EDI implementation reduces the time and cost spent on maintaining inventory and less resource allocation is required to manage the supply chain. This ensures reduction in cost. Virgin Mobile reported a 50% drop in its outgoing documentation cost after automating its paper documentation.

**Trends in EDI**

**Growing acceptance**

EDI represents one of the most productive and resilient technologies for B2B integration for the supply chain. Companies’ initial investments continue to deliver extended ROI as more partners and more documents are implemented for both the buy and sell side of an organization.

According to the study, 28% of the companies surveyed have integrated over 50% of their trading partners. Out of these, 7% have integrated more than 80% of their partners. These numbers show that EDI is being implemented beyond the Tier I and Tier II trading partners to realize extended value across the supply chain (See Graph 3).



*Graph 3: Deployment of EDI extends beyond only the biggest trading partners*

**Development of XML**

As EDI standards continue to emerge and mature, many enterprises are also implementing complementary XML base solutions. Unlike EDI implementations, which are historically bulk and asynchronous, XML implementations are process-driven and manage automation against defined business processes that have response, content and ongoing transactional activities.

RosettaNet, CIDX/PIDX, OAGIS BODs and ebXML all support business modeling constructs central to their deployments. For example, ebXML has taken EDI's capacity to perform basic functions a step further. With much greater data transfer capacity than traditional EDI, ebXML has been implemented by many organizations to further enhance the processing of documents. However, ebXML also has its limitations. For example, converting EDI documents to ebXML is a complex process.

Also, contrary to common belief, EDI and ebXML can coexist. The reason is that EDI and ebXML are best suited for different purposes. While EDI is structured for machine-to-machine communication, ebXML is structured for human usage as it is easily rendered in a browser-based interface for action-focused activities. ebXML can be used for formatting and presenting EDI information and to that end, EDI and XML are complementary and drive increased value as they support each other's soft spots.

### **Globalization**

Owing to its benefits, EDI has gained acceptance worldwide. Businesses can now integrate more and more of their partners into their EDI programs more quickly and more effectively. This has resulted in both the development of new processes and identification of more operational issues.

## ***The Future of EDI***

### **Newer processes**

Just like the onset of the Internet and new e-commerce standards has brought a huge change in EDI efficiency, new standards are likely to open new ways for trading partners to communicate and make business processes more dynamic. It could also mean the development of new standards that can handle bulk transactions and enhance business agility at the same time.

### **Continued growth and productivity**

Over one million companies across the globe are using EDI. Based on statistics, that number is expected to continue to grow. It is also likely that businesses develop new processes that offer increased productivity through EDI and B2B transactions.

## ***Skills Required for EDI Manager/Coordinator***

### **Thorough knowledge of EDI tools**

A successful EDI Manager/Coordinator must have thorough knowledge about the different software applications and hardware necessary for an EDI implementation, such as asynchronous and bisynchronous modem, FTP, email, HTTP, AS1, AS2, MQ, etc.

### **Multitasking**

While implementing an EDI system, an EDI Manager/Coordinator may have to juggle various functions at once—from troubleshooting to communicating with internal and/or external customers to creating and maintaining documents and mapping.

### **Hands-on experience**

Ensuring an EDI program runs smoothly requires comprehensive technical knowledge, which can only be gained through hands-on experience with the various tools used in an actual EDI implementation. It also provides an EDI Manager/Coordinator with a deep understanding of the process, which can help him identify an issue early and achieve a quick resolution.

### **Analytical skills**

An EDI professional should be able to look at any problem objectively to develop an effective solution. He should be able to plan, prioritize and execute trading with different partners and help them do the same. An EDI professional must also be able to take a step back and look at all changes in the business environment in order to spot alternative ways to automate different processes.

### **Customer relationship management**

A successful EDI Manager/Coordinator must be a good communicator. He must be able to communicate with a wide range of cross-functional teams to help them understand, accept and adapt to EDI. He should be able to understand their problems and address them in an effective manner. This helps in building a strong relationship not only within the organization, but also across its trading partner community.

## ***Role of an EDI Manager/Coordinator***

The role of the EDI professional is currently undergoing a transition. Until now, the role of an EDI professional was reactive and focused mainly on managing the existing system. With the advent of new processes and standards, the role of an EDI professional is now a more proactive one. The onus is on the EDI professional to gauge future trends and demands in order to keep the business agile. To this end, automation will be his ally. Also, he will have

to develop more process-focused and metric-based management. The role of an EDI professional will include:

**Troubleshooting**

The EDI Manager/Coordinator must handle multiple issues on a day-to-day basis and ensure an obstruction-free flow of EDI process. He should be able to handle fast-paced business processes and communication at all levels to ensure that results are achieved.

**Coordination and mapping**

The EDI Manager/Coordinator is responsible for creating and maintaining EDI mapping and documentation for the organization on a regular basis. He must also coordinate the EDI process with the company’s trading partners to ensure everything runs smoothly.

**Communication**

The EDI Manager/Coordinator must communicate the organizational goal as it relates to EDI to his team as well as to other departments and partners of the organization. This will help people understand the importance of EDI, “catch the vision” and support the EDI implementation. Also, healthy communication ensures that problems are spotted and eliminated before they have business impact.

**Resource allocation**

The EDI Manager/Coordinator must ensure proper resource allocation for an EDI implementation. This can include identifying the software and hardware required for a successful EDI implementation as well as ensuring the necessary manpower exists to keep operations running smoothly.

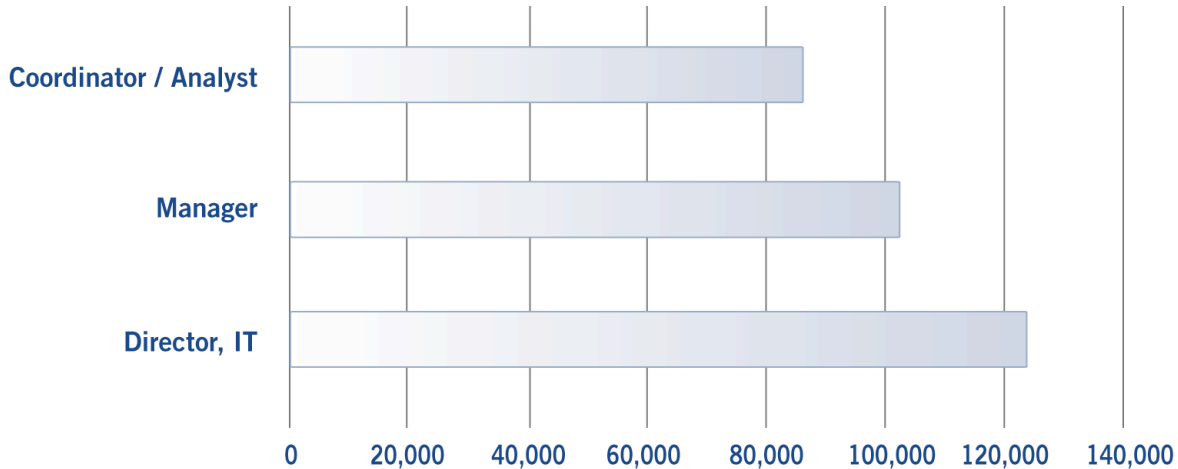
***Career Development for EDI Manager/Coordinator***

**Expansion beyond EDI**

With right skills and attitude an EDI professional’s career can offer steady growth. The Canvas Group survey shows that 49 percent of EDI professionals stayed at a position for two years and 32 per cent obtained a new position at 23% increase in pay at another organization.

**Moving your career forward**

The job of the EDI professional requires expert knowledge of a specific set of tools and experience in a niche area. The result is that supply is less than demand, and EDI professionals are well-paid. The survey used in this study finds that an EDI Coordinator gets paid on average \$86,000 per year and that a manager’s annual salary is \$102,000.



Graph 4: Average salaries for EDI Coordinators, Analysts and Directors

**Career growth and upward mobility**

EDI professionals within an organization range from the coordinator level to the head of the IT organization. EDI professionals can grow to be communication and infrastructure leaders and play a vital role in formulating a company’s communication, customer relationship and IT strategies. They can also play an important role in making decisions regarding implementation of new technologies that can further automate and business processes.

**Top Three Takeaways from This White Paper**

1. EDI provides significant benefits for both small and medium-size organizations, including reducing costs and increasing customer satisfaction. The automation of business-to-business transactions results in reduced inventories, accelerated order-to-payment lifecycle and increased customer satisfaction.
2. The role of the EDI Coordinator is to help reduce costs through automation. There are several paths to cost reduction, with the ROI from EDI being clear and historically proven.
3. When choosing an EDI provider, the top three capabilities to look for include ease of use, extended capabilities beyond simple document transfer and lower total cost of ownership.

## ***About Inovis***

Inovis delivers solutions that empower companies to transact, collaborate and optimize communications with their business communities. Over 20,133 customers use our actionable intelligence offerings to reduce their costs of B2B transactions, increase their opportunities to revenue and optimize collaboration with their trading partners. With over 20 years of expertise, Inovis delivers its products and services to companies over a wide range of industries and markets across the globe.

Inovis was recently named a "Company on the Move" by Consumer Goods Technology, and was included in Supply & Demand Chain Executive's "2006 Supply & Demand Chain Executive 100," Inbound Logistics Magazine's "Top 100 Logistics IT Providers" and Apparel Magazine's annual "Software Scorecard." In 2006, IDC ranked Inovis #15 on its list of top Supplier Relationship Management Application Vendor table and #3 in the Worldwide Supplier Collaboration Application market. For more information, visit [www.inovis.com](http://www.inovis.com).

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