Are You Focused On What Matters?

How to Optimize Your Data Interchange

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How do your customers measure you? Perhaps they evaluate how well you assemble your products or provide your services, but they don't look at the tools you use to do it. Perhaps they are impressed by how quickly your call centers answer the phone, but they probably don't congratulate you on the automated call system that drives such fast response. Maybe they appreciate how quickly you fulfill orders, but they don't celebrate the systems that process those orders, or the communication protocols those systems use to exchange information with each other.

There's an old management adage that encourages companies not to worry about excelling at things customers won't measure. Focus instead on what you do best and outsource the rest.

Are You Focused On What Matters? How to Optimize Your Data Interchange

2

Document Exchange – A Great Example

This advice is particularly applicable to how an organization automates document exchange, which is most often done via Electronic Data Interchange (EDI) to process orders from manufacturers to distribution centers to point-of-sale. With roots dating back to managing military logistics during the Berlin Airlift in 1948, EDI specifies communication standards and protocols controlling the transmission, message flow, format, and software used to interpret documents. EDI has been used to replace slower, paper-based mail, fax, and other methods of exchanging documents with standardized formats such as ANSI X12 and EDIFACT, or tagging languages such as XML.

EDI continues to prove its worth as a methodology for enabling computer-to-computer exchange of business information, from supply chain documents to most other business-to-business processes

Why Organizations Use Automated Document Exchange

- Expenses associated with paper, printing, reproduction, storage, filing, postage, and document retrieval are all reduced or eliminated, lowering transaction costs. Errors due to illegible faxes, lost orders or incorrectly taken phone orders are eliminated, saving staff valuable time from handling data disputes.

- Business cycles are sped up; organizations can exchange transactions in minutes instead of the days or weeks of wait time from the postal service.

- Data quality is improved, reducing errors from illegible handwriting, lost faxes/mail, and keying and re-keying errors.

- Order-to-cash cycle times are reduced, improving business partner transactions and relationships.

- Automation of paper-based processes allows staff to concentrate on higher-value tasks and provides them with the tools to be more productive.

- Quick processing of accurate business documents leads to less re-working of orders and fewer stock outs and cancelled orders.

- Automating the exchange of data between applications across a supply chain can ensure business-critical data is sent on time and can be tracked in real time.

- Shortening the order processing and delivery times means that organizations can reduce their inventory levels.

including financial transactions. It plays an important role in B2B integration, an organization's over-arching program to digitize, integrate, and automate business transactions. Exchanging documents electronically improves transaction speed and visibility while decreasing the amount of money spent on manual processes and related costs. And for buyers who handle numerous transactions, using EDI can result in significant annual savings due to early payment discounts.

Exchanging business transactions and information between trading partners using EDI is not only highly intricate, it is also constantly changing and posing challenges. New trading partners often bring new requirements, new technologies, new processes, and new regulatory require-ments that their trading partners' EDI systems must adhere to. Since these new requirements are encountered at the beginning of a new trading relationship, there is often extraordinary pressure to very quickly make the changes needed to adapt to new protocols and formats. These constant changes and new requirements make it challenging for EDI users to keep up, especially those lacking sufficient IT resources.

What is the Best Strategy?

At one time, the lack of a large enough information technology staff may have kept EDI out of the reach of smaller organizations. The emergence of a choice of strategies for implementation has changed that. EDI is used today by a wide variety of companies from small retailers to big-box chains and from major manufacturers to small fabrication shops, as well as everything in between.

The opportunity to enable a wider variety of EDI users has led to the development of several approaches.

- Some companies have avoided EDI standards and provide their own web-based sys-tems for transacting business. These systems are highly specialized, so new coding is required for each new transaction type or change in procedure.

- Many companies use Enterprise Resource Planning (ERP) systems to manage their operations. Far more than an order processing system, many ERP packages include EDI functionality as part of their core software. While this assures tight integration with inter-nal systems, it may lack the vital flexibility companies need when adapting to new trading partners and their requirements.

- Many stand-alone EDI software products have emerged that interface to popular ERP systems through the use of Application Programming Interfaces (APIs). Some feature a high degree of customization and adaptability, but some may require customization by an expensive development resource every time the core ERP is updated.

- In order to eliminate the confusion that may result from connecting directly to so many trading partners, Value-Added-Networks (VANs) emerged in the mid-1980's, allowing companies to make one connection that will route orders to the appropriate trading partner, managing the connectivity externally and arbitrating between varying communication protocols.

- Some companies either employ or contract an outsourced developer to add EDI function-ality to their existing ERP or other order processing systems. This means a company will likely incur additional cost when adding a new trading partner, as the outsourced developer must make the required programming changes to accommodate the new partner's stan-dards and protocols. Also, any time the core ERP or order processing system is updated, upgraded, or otherwise modified, many of the developer's program elements may be 'bro-ken' by the changes, again requiring more expenses to accommodate the upgrade.

Over time, companies will find their EDI platforms have new demands placed on them. Cus-tomers may need support in additional geographies, requiring new trading partners, document formats, and communication protocols. Key personnel might leave the organization, resulting in an EDI knowledge gap. Integration between EDI platforms and other systems, such as ERP, transport management, and warehouse management systems might be required. The EDI platform's hardware infrastructure might need modernizing. And IT leadership could pull all available resources onto an urgent project, such as upgrading an ERP system, leaving the EDI program understaffed and potentially impacting customers and trading partners.

Many companies wishing to avoid the time, financial, and operational difficulties of enabling EDI in their on-premises systems while maintaining the agility to adapt to new and changing requirements have instead chosen to outsource the EDI function and purchase it externally as a managed service.

B2B as a Managed Service – a Clear Option to Consider

In a managed model, an organization outsources the set up and translation to and from EDI and ancillary supporting services to an external service pro-vider. The provider brings in people and process expertise so that the client's resource requirements, expenses, and complexity are greatly reduced, allowing them to focus on their core business.

The service provider receives business documents directly from an organization's enterprise business systems and then assumes responsibility for all the mapping, translation, technical support, data center operations, and document tracking. Once documents are ready for trading partners, the service provider delivers them either directly to the partners or via the network, depending on the individual trading partner requirements.

There are a number of benefits to this model:

Resource allocation – One of the most important advantages of outsourcing B2B integration is eliminating the cost of involving EDI experts in every modification, configuration, or other change to the EDI schema. The B2B managed services vendor effectively becomes an extension of an organization's own IT department. Since the service provider is responsible for the successful exchange of all B2B transactions, no new personnel need to be hired or outsourced. All required configuration, modification, adaptation, or other changes are made by the service provider, with transparency to the company and its operations personnel.

Expertise – As opposed to in-house staff, it is highly likely that the service provider has encountered most major and many minor trading partners and their requirements in previous service engagements. This translates into much faster adoption of practices to onboard new trading partners, which is usually faster than any in-house personnel or contracted developers making the necessary mapping, translation, and document-standard changes. Companies can also utilize other skills and expertise from a B2B managed services provider, such as supply chain analytics.

Infrastructure – The business has no hardware or software infrastructure to manage internally as the B2B managed services vendor takes care of this on the client's behalf, often in a cloud-based environment. In most cases B2B service providers should adhere to global standards for information security management, such as ISO27001.

Experience – The value of working with an experienced B2B managed service provider goes beyond the transactions they help process. The service provider is also helpful in advising organizations and their trading partners regarding best practices and the implementation of helpful new operations, services and systems. B2B managed services providers with a global presence offer the added benefit of support across time zones, in local languages.

Scalability – Using a cloud-based B2B managed service allows your B2B environment to scale according to the demands of the business or market conditions. For example, if your business expands into new geographic regions, you can leverage additional resources to help onboard new trading partners and ensure they can exchange electronic transactions seamlessly with you.

Future proofing – Managed services providers fulfill requirements for new trading partners as well as changes from existing ones so that the client can avoid sudden, costly disruption of operations and unanticipated expenses.

While the successful execution of all operations will always be the responsibility of the client, outsourcing functions like EDI to a service provider transforms B2B integration into something you need to monitor, as opposed to something you have to do. This frees your own personnel to focus solely on what they do best – growing your business.

Your customers won't know you have experts focused on making sure the information exchange required to complete orders is performed flawlessly. They will, however, appreciate and celebrate your ability to deliver those orders accurately and promptly. That's how you want them to measure you.

For more information about EDI visit http://www.edibasics.com/.

To learn more about B2B managed services, visit http://www.b2bmanagedservices.com.

Choosing the Right Partner

Augmenting your B2B operations with a managed services provider requires finding a reliable partner who can meet the changing needs of your organization and your trading partners.

Read the B2B Managed Services Checklist and Priorities to learn what key features to look for in a service provider.