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E-business is not a reality without firm connectivity



Connectivity

Mark Kingston

The flock of new electronic exchanges springing up clearly signals corporations' eagerness to slash procurement costs by banding together through e-business.

However, the new entrants into these joint business-to-business exchanges received a wakeup call when they began to encounter integration problems. One of the biggest challenges facing exchanges is how to meld the disparate software packages these entities use to power the procurement process.

Once again the hype of e-business – its bright, high-minded promise to deliver a highly connected, seamlessly functioning, imminently collaborative business model – collided with an unavoidable reality that connectivity is the essential element. Without connectivity, there is no “e” in e-business. Moreover, the promised cost savings will never materialize when one partner's computer system can't talk to another's, and neither of them can communicate with the digital marketplace that can't connect to other digital marketplaces.

The end result is a lot of faxing, phone calling, manual entries – and errors, re-entries, additional paperwork and inefficiencies. Sadly, for far too many businesses today, this is still how e-business is done.

WHAT ABOUT PAPERLESS?

Wasn't electronic data interchange (EDI), popularized more than a decade ago, supposed to heal the headaches of electronic connectivity? Again, hype and promise hit the wall of reality. While large, well-capitalized companies with considerable technical resources have undeniably benefited from EDI, the vast majority of small and medium-size enterprises have not. Also, even the largest, wealthiest companies still face major hurdles related to integration and connectivity.

Small and medium-size enterprises have largely been denied participation in EDI because it is too costly and difficult for them. In addition to the ongoing costs of using a value-area network, most of a company's EDI-related expense arises from preparing data to be transmitted and accepted by its trading partners (suppliers, customers and other value chain partners). And the bulk of this cost relates to developing “maps,” that establish an electronic relationship between a company's internal business information system and the agreed upon standard.

First, a company and its trading partners must agree on a standard EDI format. Although there is a de facto EDI standard, with so many industry and customized company variations on this standard, reaching agreement on which one to use is not nearly as easy as it sounds. Next, a company must buy expensive translation software and – in a very tight labor market – hire someone who understands how to run the software. Once these steps have been completed, the company must still go through the time-consuming task of integrating the software into their business system to handle the actual mapping process. Finally, substantial costs are involved in testing this procedure before making it active.

Realizing that each of these steps – agreement to a standard, mapping and extensive testing – must occur with every trading partner, it's not surprising that there are fewer than 450,000 companies in North America currently using EDI. Despite technological advances, a sizable majority of any company's value chain partners still transmit transaction-related documents manually.

XML NOT A PANACEA

Again, promise falls short of reality as the broad use of XML (eXtensible Markup Language) technology to automate business information exchange incurs many of the same cost and complexity drawbacks as EDI. Among them: acquiring software,

agreeing on which XML schema to use, and building and managing the required maps for each trading partner relationship.

Is the problem that there really isn't a standard format for e-commerce business information exchange? Or is it that there are too many variations on that standard format? On the contrary, it may be that companies don't want (or in the case of SMEs, can't afford) to invest significant human hours, energy, money and dedicated staff to get their data into various “standard” formats. This approach becomes even less attractive when “standards” are rapidly and continuously evolving. A simpler solution is available.

CLEARINGHOUSES

Envision a not-too-distant future, where the reality of e-business fulfills its promise. Disparate business systems will be able to

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connect with one another easily for automated business information exchange. In this environment a company will be able to connect with every one of its trading partners regardless of size or technical sophistication.

This will be made possible through intermediaries – clearinghouses – where companies securely transport their data in any standard or format they desire. At the clearinghouse, the data will automatically be transformed and transmitted to the intended trading partner in the desired language and format required to integrate seamlessly into its business system, with no conflicting standards to interfere with connectivity, no hardware or software to buy and no maps to manage.

The good news is that the future just described is available today. Several new companies are emerging that are leveraging open platforms over the Internet to bring new efficiencies to EDI and XML. At last, we are beginning to see the reality of e-business. ■

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