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Publication date:
1988

Document Version
Publisher's PDF, also known as Version of record

[Link to publication](#)

Citation for pulished version (HARVARD):
Roelandts, C 1988, *Strategic corporate implications of EDI.*

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STRATEGIC CORPORATE IMPLICATIONS OF EDI

By Ch. Roelandts

Much has already been said, and no doubt more will be said in this forum, about the way EDI has, and will increasingly in future, affect the conduct of business in practically all sectors of the economy.

Indeed everybody is convinced, or should by now be convinced, that with Electronic Data Interchange the information will flow more rapidly, at lower cost, to the right place and in the best suitable form. The firm will therefore be in a position to operate more efficiently in the future and will accordingly increase its profits by reducing its costs.

Thus the primary focus has been on operational needs

The purpose of my talk is, as a matter of fact, different. The question I should like to address to you is the way EDI is likely to support business strategy. In fact how EDI could be used as a strategic resource.

I should like to stress that EDI will not only affect the day to day management of the firm of tomorrow but that it will also modify fundamentally its future behaviour, its very objectives, what it intends to do on the market and the way it organises itself to reach such new objectives

In short it will affect its STRATEGY

My aim is therefore to put EDI into a strategic perspective, to develop a future oriented view of the impact of EDI on the corporation organization and strategy.

fall within the scope of the business in which they intent to pursuit excellency.

According to the new definition given to such aims by shareholders and managers the organization's strategy will in turn be modified.

This new world ,in which every firm is engaged in fast and highly complex electronic relations with a large number of other ,some time far located, firms , will no doubt constitute a challenge for the managers of tomorrow. It is indeed of paramount importance that such intricate relationships are first carefully organised and then constantly supervised if the company want to keep a permanent control in order to ensure its smooth fonctionning.

It will therefore also leave room for a variety of imaginative new solutions and will open the way for fresh expertises and, consequently, new jobs.

To conclude, I should say that there is little doubt that EDI will play a major role for corporations and their management. This will need considerable forward thinking but , as it has often been said ,the winner on the global markets of tomorrow will be the one who can harness new technologies and take advantages of their potential applications.

At the same time however one should not hide the fact that, developped on a large scale ,EDI will also change the whole economic environment in which we are likely to find ourselves in the future,

The type of economy which will then prevail in industrialized countries is likely to become an economy in which everybody is providing service to everybody , each one determined to attain excellency in its own well defined domain and depending for the other tasks on the rest of the commercial community .

The link between EDI and strategy has, so far not been studied in depth. Not much has been said on this subject and indeed it would be of interest if research programs are initiated to identify situations where business strategies are being driven by EDI. In the mean time I would particularly welcome the views of managers attending the conference on the way they believe that EDI will affect their own strategy.

It is quite clear that a paperless trade constitutes a new element in the firm's environment. No doubt the future managers will see this as an opportunity to gain a competitive advantage. EDI will therefore be used either to radically change their business strategy, or at least to enhance their existing one.

In my opinion, the question that every corporate management will inevitably ask itself in a not too distant future is "How to best take advantage of the possibilities created by EDI, how to organize my company in order to facilitate the potential advantages that it generates".

Such problems will certainly be key issues in the future.

To give a few examples, EDI will bring customer-producer-suppliers closer together, it will make less expensive to bring the work to the employees than vice versa, it will change the way goods and services are being marketed, as many products could be marketed before they are manufactured... Such are issues that most of corporate managers will have to face.

Another question they are bound to ask themselves is "is it possible to achieve my company's objective without entering into ancillary activities that mobilize energy that could, be better used for more important business." ? Decentralization will certainly be a key issue of tomorrow.

In short, on the long term, EDI will not only have an influence on the way companies operate in their day-to-day business but it will also enter in the board room by the big door and question fundamentally the specific aims that shareholders assign to the management.

These aims are likely to be different than in the past, more precisely defined, whilst more and more will be contracted out to specialized firms that have the know-how that is lacking to themselves and which, in any case, concerns matters that do not

Faced to such a societal vision of an atomized economy, one could not avoid a feeling of anxiety when it is realized that a minor failure by a few could have dramatic consequences for a considerable number of others and that, consequently, the fragility of our economy will, be further enhanced .

I thank you for your attention and would now like to open the debate.