

## **Solutions for Successful Chemical Inventory Management**

*By Marc E. Dillon, P.G., Chemical Management Products Manager, ESS*

### **Introduction**

Chemical inventory management can be a daunting task for companies of all sizes. The responsibility typically falls squarely into the hands of Environmental, Health & Safety (EH&S) or material distribution staff that may be operating with limited resources. These professionals are constantly concerned with maintaining and demonstrating compliance with their facility permits and other applicable corporate, federal, state and local policies and regulations.

One element of demonstrating compliance requires the preparation of various reports that require knowledge of the type, location, storage and usage of chemicals in facilities. In order to be able to accurately generate these reports, chemical process engineers or EH&S professionals must have access to accurate chemical inventory management data. The old adage, “you can’t manage what you don’t measure” has never been more true than with chemical inventory and other elements of environmental management.

This article reviews of the types of software products that are available to assist EH&S professionals manage, automate, and improve their overall regulatory compliance in regard to chemical inventory processes. Recommendations are provided about when certain types of software products might be used and several key issues and questions are provided to assist chemical process engineers and EH&S professionals evaluate potential chemical inventory management software vendors. In addition, some “lessons learned” from system implementations are offered so that these pitfalls may be avoided once the system is selected and purchased.

Chemical inventory management essentially consists of the following components:

1. Chemical purchases and receipts
2. Chemical inventory transactions (storage and use)
3. Inventory Management
4. Record keeping
5. Reporting

These five elements comprise the chemical inventory management life cycle: from when chemicals are ordered, purchased and received at the facility, to when they are stored, used and depleted for disposal. The first two elements deal with the identity and quantity of materials entering the facility or enterprise. Inventory management includes tracking and maintaining proper inventory levels to maintain production or other important operational processes. Record keeping includes maintaining accurate records of the previous elements

and up-to-date material composition, properties, regulatory information, and Material Safety Data Sheets (MSDSs) for the chemicals in inventory. All these data are used for creating reports including SARA 312 Tier I or Tier II, and permit required reports that may include, among others, hazardous air pollutant (HAP) and volatile organic compound (VOC) usage data.

## **Finding the Right Fit: Features of Chemical Inventory Management Systems**

Those responsible for chemical inventory management for their facility or corporation typically employ various software products to meet the challenge. The complexity of chemical management software solutions must reflect an organization's needs, which are determined by its goals, size, operational processes and the number and type of regulatory requirements to which the organization must comply.

Chemical inventory management software products typically fall into three basic categories

1. Chemical distribution inventory tracking.
2. Transaction-based chemical inventory tracking with integrated access to regulatory requirements and report generation capabilities.
3. Enterprise level, transaction-based chemical inventory tracking with integration to other environmental monitoring systems such as waste, water, or air.

The first category of products is concerned only with data related to the occurrence and distribution (location) of chemicals and is generally stored in a spreadsheet or database. The data is typically updated a few times a year as chemicals and their locations are added or removed. This static inventory does not track the day-to-day inventory transactions. It simply tracks the type and maximum and average quantity of a chemical at each location of a facility.

The advantages of this type of software are low cost, ease of use and installation. The disadvantages include a lack of real-time inventory control, limited report generation capability, no actual chemical usage data — only estimates — and limited or no integration capability with external data sources, such other environmental monitoring systems or with other information technology (IT) infrastructure.

Transaction-based chemical inventory tracking provides tracking of batches or individual chemical containers. The transactions track the occurrence, distribution and movement of each chemical container or batch of containers. With transaction systems, data such as type and quantity of chemical used, location of use, how the chemical is applied (spray, brush, etc.) and person or cost center using the chemical can be captured.

Furthermore, with a serialized, bar-coded inventory system, data elements such as expiration date, batch, and lot numbers can be tracked to each individual container.

The advantages of transaction-based systems include providing complete, real-time inventory control; actual or estimated chemical usage data; container labeling capabilities; container expiration date tracking; standard and customized reporting formats — often with electronic submittal to agencies, if appropriate — and links to external data sources. Another advantage of these systems is the ability to allow remote data to be collected with handheld devices and imported into the inventory database. Most of these systems provide a link between the chemicals and their associated regulatory requirements from federal, state and local agencies, and can link to the chemical's MSDS in text and image format. These solutions are available in both browser-based and client-server based formats.

The disadvantages of this type of software are its higher purchase cost and potential challenges with implementation. Since these systems often involve IT departments, management and other stakeholders, such as material distribution and procurement departments, the groups' competing priorities, conflicting workflow and data flow processes can make the project challenging. Implementation time (and costs) can be very high depending upon the quality of existing data prior to startup and the amount of configuration needed to match workflow.

Enterprise software includes all the features of transaction-based systems, but includes integration with other key environmental management functions at an enterprise level within an organization. This means that other EH&S systems, such as waste management, air emissions tracking, compliance management, storm water, wastewater, industrial hygiene, and occupational health & safety can be integrated with chemical tracking.

The advantages of an enterprise chemical inventory tracking system is that because a facility's emissions to air, waste and water originate from the chemicals it maintains in inventory and the processes that use those chemicals, enterprise software provides a true mass balance, from cradle to grave, of all materials touched by a single facility or across an entire corporation. These solutions are typically deployed in browser-based formats.

The disadvantages of enterprise software are its relatively high cost and challenges in implementation. Often, implementation of these systems requires a company to clearly define and refine their workflow and dataflow processes and then migrate existing data into the application database and model these processes during configuration. However, this usually becomes an advantage for the system's use as efficiencies are maximized. Implementation also involves numerous stakeholders, including IT management and infrastructure, material distribution, procurement, accounting, and site and corporate level management.

The benefits of implementing and operating an efficient chemical inventory management system most often far outweigh the purchase, implementation and support cost. These benefits include:

- Accurate data for EH&S, material distribution and management departments
- More efficient use of material and time
- Consolidation of chemical inventories and lower chemical purchase costs
- Reduced chemical usage
- Waste minimization
- Pollution prevention
- Ability to perform “first in, first out” (FIFO) or “just in time” (JIT) inventory control
- Internal and external customer satisfaction
- Concentration on core business
- Enhanced relationship with regulatory agencies

### **Evaluating Chemical Inventory Management Suppliers**

Many vendors offer the three types of products just described. However, before choosing a vendor, an organization must do some homework. Those professionals in charge of selecting, purchasing, and using the system must ask:

- What are the specific goals and objectives for using such a system?
- What are the “must have” and “nice to have” features and functionality of the selected system?
- What is the specific, expected output of the system?
- Is a stand-alone chemical inventory system or multi-module (air, water, waste, etc.) system needed?
- Is integration needed with external systems (ERP or other)? If so, what other systems and why?
- Will sufficient internal expertise and resources be available to implement all or part of the system or will one rely on the software vendor or a third-party implementation partner(s)?

Questions to ask potential suppliers should include:

- Does the firm have an understanding of your industry and your specific facility?
- How many systems have they implemented in the past year or two?
- Do they have a quality assurance, quality control policy and plan?
- What is the depth and availability of technical support?
- How many experienced project managers, developers and programmers are on staff? What are their qualifications and backgrounds?
- What is the company's financial history?
- Is the vendor willing to provide references of companies who recently purchased or implemented their software, and give potential clients the right to solicit feedback from them?
- What is the vendor's experience with the applicable regulations and management practices concerning your operation?
- What types of databases does their software support?

## **Lessons Learned**

The following are some key points to consider before selecting and purchasing a chemical inventory tracking system. These are not trivial points, as history can point to many implementations that have faltered and expectations not being met because these lessons learned were not followed.

- Ensure that all stakeholders are involved in the process of gathering and developing system requirements. Otherwise, actual and expected system functionality will not match and implementation difficulty (and cost) will escalate.
- Ensure that there is both an IT and business (EHS) stakeholder involved at the minimum.
- Collect system hardware and software requirements from the potential vendors before making a decision to ensure that there are no hidden costs and that compatibility will not be an issue.
- Collect references from the vendor for other customers, get permission to contact them and follow up (without the vendor) for feedback.
- Arrange for system demonstrations with the vendor and ensure that product managers and technical staff, in addition to sales staff, are present for questions.
- If data is to be migrated into the new system, review the data to ensure completeness and quality. Be able to give specifics on the data source (database type and version, etc.) If integration is needed with outside systems (like ERP system), coordinate with those stakeholders to provide system specifics to the chosen vendor and/or implementation partner.

- If processes, workflow, or dataflow are scheduled for change or need to be changed, ensure that these are well documented and reviewed prior to software selection and implementation planning.
- Develop a plan to calculate and evaluate the business value and return on investment (ROI) expected. This may include baseline values for chemical purchases, etc. at a given production level before and after system implementation and use.

## **Conclusion**

Chemical inventory management software can provide environmental compliance data to assist professionals with a multitude of regulatory requirements that need to be met within any organization. Selecting and implementing the appropriate type and size of solution is critical and dependent on the goals and size of the operation and the quantity of its requirements. Properly selecting the right system can provide value and save a company time and money far in excess of a solution's purchase and implementation costs.

*Mr. Dillon is the chemical management products manager and director of consulting services for ESS, headquartered in Tempe, Ariz. Mr. Dillon is a professional geologist and has more than 15 years of experience in environmental management and engineering, in the aerospace industry, and in consulting.*