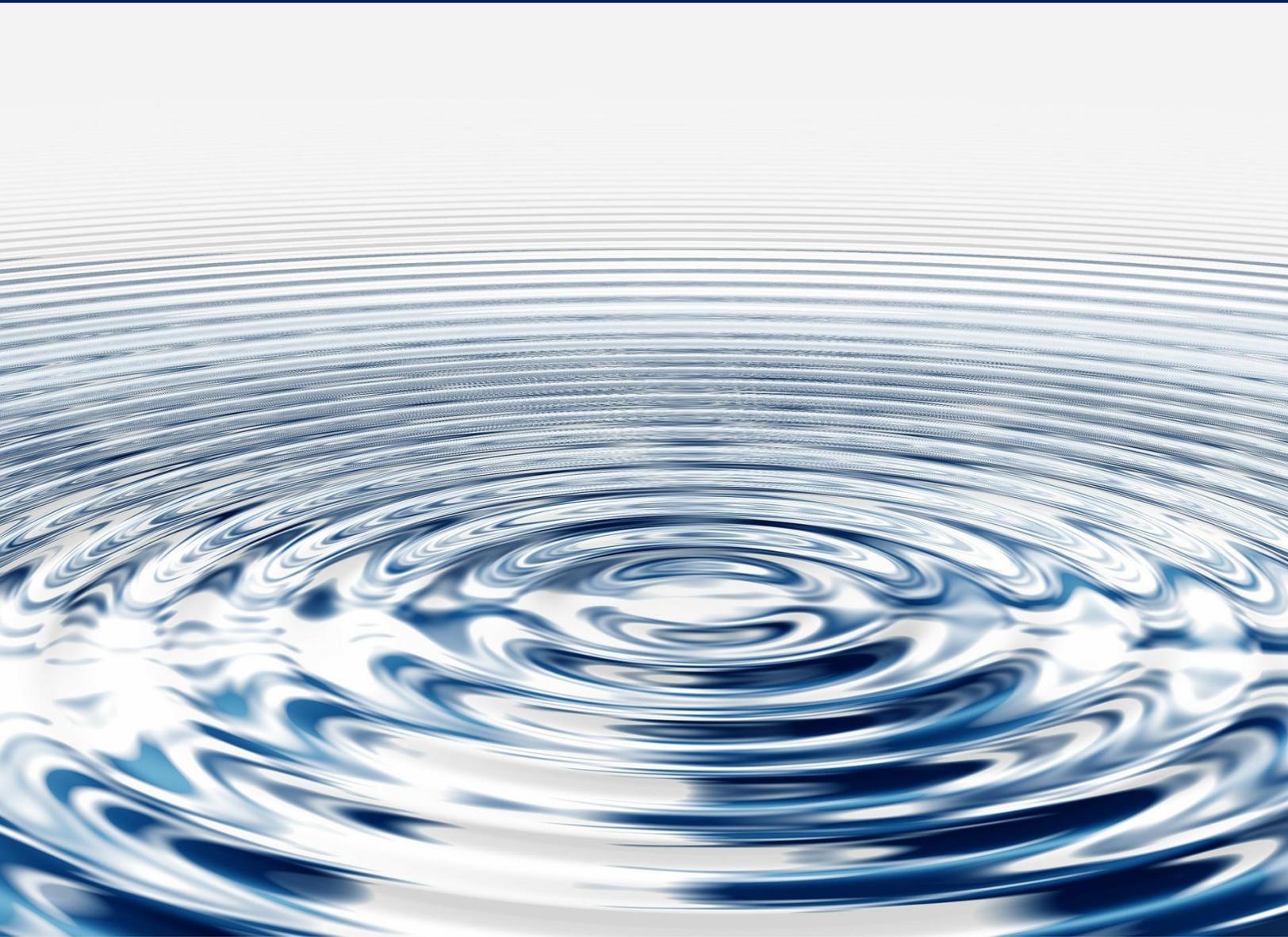# The Case for Automating Asset Management Inventories

Often, tasks are only given attention when a catastrophic event occurs. However – the impact of lingering and unattended "issues", while not as dramatic, can be significant when viewed over a period of time. Much like water damage, the impact of a flood is immediate and devastating while the effects of a small drip can be no less damaging over the long term.

How can Asset Management lead to a Catastrophe?

Investment in assets is often the highest expense for businesses – just behind labor costs[1]. These assets include materials & supplies, tools & equipment – anything needed to run your business. Regardless of an organization's size, annual financial reports typically require an accounting of what you have and what condition it's in (usable, depreciated, etc.) to properly paint a picture of your business' financial health.

However, determining financial health isn't the only role of asset data. It's also used for other important decisions such as **resource allocation**, **lifecycle management** and **investment**.

Disasters can result from unreliable asset data. Here are a few that we've seen:

- **Audits of financial reports uncovered discrepancies between data and actual assets** – Although rectified, the expense of insuring lost items, inflated departmental budgets to cover replacements, lost labor hours to search for items and/or prepare replacements – added up to significant and avoidable expenses.

- **Missed regulatory element** – While this initially would not seem to rise to the level of disaster – the legal and financial consequences can be severe and devastating.

- **Loss of asset visibility in a maintenance facility** – This caused production line shut downs and frantic staff reallocation to locate missing parts to enable production to resume. This resulted in substantial production delays, work delays of the reallocated staff and huge overtime expenses incurred in trying to minimize these delays.

With so many other fires to fight, tracking assets is commonly considered a lower priority on the list. But, as we've highlighted, it still deserves your attention – either to avert that catastrophe or to avoid the loss that comes from continuing with an ill-fitting or deficient process.

1.   NFIB 411 Small Business Facts

The Devil is in the Data

The City of Denver has experienced a problem not uncommon to many municipalities – loss of visibility of assets. Misplacement, inaccurate data and lack of validation can cyclone individual mistakes into a full financial disaster.

Denver could have misplaced hundreds of assets like equipment due to poor record-keeping, a new report by the city auditor found.

Of 124 assets listed in the city's books, the Denver City Auditor's office couldn't find fifteen items during an audit. And, based on the sampling methodology used during the audit, between 670 and 1,590 city assets could be missing or improperly classified, the auditor's office said.

These record-keeping errors are significant and indicate a high probability of other missing or improperly recorded assets, both large and small. These assets belong to the taxpayers and should be accurately tracked."

For example, the audit found a car the city sold in 2003 still on the books and a garbage truck no longer in use in the city, but listed as still in service. In another example, the audit team was unable to find any record of what happened to five items in their sample – even after asking for help from the managing agency. In one case, a $3.5 million asset was listed only as 'Bond C&C Bldg – Exterior,' and officials could not explain the reason for the entry.

The auditor also found inaccuracies related to locations, descriptions and the timeliness of asset recording and discrepancies between the recorded historical costs of the assets and the actual historical costs. In the books, the auditor found a series of outdoor sculptures recorded at the McNichols Building, though they were actually in various parks throughout Green Valley Ranch.

The Challenge of Getting By

In the course of running an organization, it can be hard to justify allocating time and resources to something like asset tracking when so many other priorities require obvious and immediate attention. However the real cost of maintaining the status quo is rarely evident in the moment. Warning signs of growing problems include the use of terms like **Rough Estimate** *for reporting*, or **Emergency Replacement** *for budgeting* or **Nightmare** *for maintaining inventory*.

When you step back and take a broader look at the impact of your current asset tracking process (or possibly a lack thereof), you may discover that slow drip eating away at the foundation of your operations.

To broaden your view and help see that larger picture, ask a few questions:

Do our current budgets include allocations for hot spares or emergency purchases of some assets? How much of your budgets are devoted to having funds available "just in case" an item isn't handy, isn't in working condition or simply can't be found? How often are these funds put to use throughout the year?

Does our current process interrupt staff for extended periods of time (impacting their other assignments)? Do you get groans and resistance when it comes to conducting any inventory activities? Do you have to take your team out of their primary roles and devote them to inventory activities?

Have estimates or decisions based on asset inventory data ever been impacted by the quality of our asset data? When you get inventory results back, do you trust the data as accurate? Have you ever been caught in a situation where the data that you based your decisions on (budgets, allocations, etc.) steered you in a wrong direction? How often do those decisions require corrective action? What did that cost you in time and resources?

Do we have a solution that addresses part of the process – but not the whole process? Maybe you've added some automation in the past. Does that automation assist the whole process (from your ERP or business system to the staff on the floor and back) – or does it just help one piece (labeling or item identification or inventory list export, etc.)

Do we respond well to change? Change is constant. Systems and processes are regularly impacted by both external and internal forces. Are you able to easily and quickly respond to changes in compliance requirements (reporting, security), or technology, or inventory staff turnover?

> " It can be frustrating – and frightening – to think about the ripple effect of bad data on good systems.

What You Don't Know Can Hurt You

There is, of course, a financial cost to missing assets. The impact may not be significant if it only happens every once in a while but if it happens with any level of frequency – you're bleeding money.

- **You're spending money** on spares or replacements.
- **You're spending money** on insuring items that you no longer have – or are no longer worth insuring.
- **You're spending money** on labor if you send staff out looking for missing items – or procuring and preparing replacements.

Beyond the strictly financial consequences, there are **productivity and morale costs** that can hit you too. Each time you take staff off of a primary task, that task suffers. Every time you send someone out to do work that "is not my job" you risk the development of an attitude that could impact their attention to the effort - compromising the results.
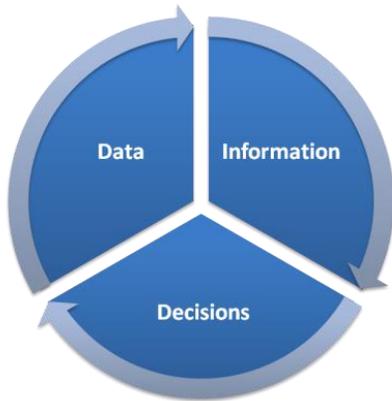
The cost of bad data can be sizable. Every time you make business decisions based on less-than-reliable asset data, you are **putting your business at risk**. This can impact the direction and quality of your decisions and lead to sizable costs to correct – especially in the case of regulatory compliance.

Considering the amount of time, energy and money that your organization has invested in your ERP and other business systems – the value of reliable asset data quickly becomes self evident. Overlooking this essential element of your systems will surely result in a needlessly self-inflicted wound.

When It's Easy, It Gets Done

Tasks that are easy tend to get done. Whether it be due to some productivity strategy that encourages us to tackle easy projects first (to get some wins under our belts) or just simple human nature – tasks that aren't too hard or don't take too long are more likely to get done – and done well.

Asset tracking may seem like it would be one of those things that would fall into the quick and easy category. After all, how hard could it be? You're simply confirming what you already own, right? Wrong!

Done Isn't Always DONE

Just because something has been completed – it doesn't mean that it's really "done." "Done" assumes that it was done right. If that was true, you wouldn't question the accuracy of your data, or the flexibility of your processes and existing systems to grow and change – and you likely wouldn't be reading this white paper right now.

For most of us, there is usually room for improvement. For many of us, we seek a better "done." But actually making the change to systems and processes can be difficult – and it doesn't take much to derail improvement efforts.

Some common reasons why organizations are reluctant to change include:

What we have is fine. By nature, humans fear the unknown and are not big on change. When compared to options of new approaches, new systems or even where to go to dinner on Friday – the incumbent choice tends to win the day. But when an organization has outgrown processes and/or tools – but are still trying to make them work – the status quo becomes its nemesis. Inevitably, there will be compromised results which lead to those cost/waste/morale issues noted earlier. The only sure winners will be the competition.

We have bigger fish to fry. We can all agree that there are only so many hours in the day. But if all of your resources are always dedicated to fighting the closest fire, when (and how) would you innovate? If allocating a fraction of your resources to other initiatives could make your operations more efficient and cost effective, surely it's worth consideration. It's never about ignoring the top priorities. Rather, it's just setting aside a little time and resources for those tasks that have been living at the bottom of the to-do list for too long. Regardless of their position, try to remember that these items made it to the list for a reason. Bringing them into the daylight might reap bigger benefits than expected.

Systems are too complicated for what we need. Yes, a pen and a clipboard are solid tools that you likely already own. But how many times have there been errors made in the data entry steps of getting that information off of the clipboard and into your ERP? Are you sure that whoever was using the clipboard actually laid eyes on the assets that they tallied? Or did they just do that Gut-Feel / This Looks Good assessment? A little technology may not be as complicated as you think and will eliminate some of those data errors. Most importantly, it can confirm that your staff actually reviewed the asset – and didn't just sign off on the inventory roster.

Taking the Next Step

We've looked at some of the reasons to consider changing your approach to asset tracking. Then, we reviewed some of the resistance that you may face (or that you may still have yourself). Assuming you are ready to at least consider a different way to account for your assets – the next step is to find a solution and approach that works for you and your team.

When you look at processes and systems to manage your asset inventory efforts, they tend to fall into three different camps: Manual, Hybrid, Automated

Manual This is commonly referred to as the **"pen & clipboard"** method. Lists of known assets are printed and dispersed to departments/staff to verify. After they conduct their inventory, their results are keyed into the ERP and/or appropriate business system.

Hybrid Some aspect(s) of the process has been automated. Some hybrid systems still work from printed lists, but also leverage a users cell phone or a scanner tethered to a computer to assist with input. There are a wide variety of hybrid systems available. Many are "home-grown" (written by an internal IT department) to address a specific issue or factor in the inventory.

Automated These systems automate the entire process starting with the electronic output of the known asset data from an ERP or business system, to a handheld computer or tablet. Users leverage these devices during the inventory review, capturing counts with scans and asset status with electronic forms and fields. The results are directly updated from the device to the ERP or business system.

Comparing Apples to Apples

When considering your assets solution, it's important to look at the options available to you – including the pluses and minuses inherent in each.

Solution Option:	Manual	Hybrid	Automation
Pluses:	• You likely own the tools • Minimal training	• Scanning automation lowers risk of data entry errors • May already have devices • Adding automation speeds up the process • Lower entry cost to get started	• Scanning automation lowers risk of data entry errors • Electronic data communication from end to end minimizes errors • Guides the user through process • Automation makes overall process completion much faster • Less workforce disruption • Harvest asset information (condition, etc.) for compliance, replenishment, repair, etc. – not just count
Minuses:	• Risk of typos, misread of handwriting. • Multiple handling steps creates risk of data loss and error. • Manual processes take longer to complete	• Requires network coverage • Limited or no security of data from personal device • Requires IT administration • Limited actions available beyond simple count	• Requires IT administration

How Do You Choose?

There are many approaches to managing your assets. The key is to find the best fit for your organization, team, and business system requirements.

Does Your Organization:	If Yes, a good solution fit may be:		
	Manual	Hybrid	Automation
Have a single facility/location requiring asset tracking	X	X	X
Have multiple facilities/locations requiring asset tracking	X	X	X
Conduct an inventory once per year	X	X	X
Conduct periodic inventories (multiple per year)		X	X
Have network coverage where all of your assets are located		X	X
Have locations with no network coverage			X
Have assets stored in harsh environments			X
Leverage RFID tags			X
Require full electronic activity tracking for compliance/regulatory audits			X
Prefer automation in tagging/re-tagging items			X

Generally speaking, leveraging fully automated solutions will provide the strongest results. While it may seem overwhelming to get there - especially if you're starting from a Manual approach – it's actually easier than you think.

Solutions today offer streamlined systems that can be implemented in days – not weeks. They are designed to be intuitive to use, leverage existing infrastructure components already in place (such as network, security, database, mobile devices) and communicate electronically with ERP solutions and/or business systems.

Take the Leap

Changing processes can be challenging – regardless of the role of that process. There is frequently resistance from leadership and staff. The first attempt with the new approach will likely produce a list of areas to tweak and refine during the next round. And if you're starting from a completely manual process (or a neglected one), there will be some work to do just to assemble a complete record of assets – including where they're located and ensuring that each is properly labeled, marked and recorded.

The results will reinforce your decision to change. Until then, here are some things to consider as you get started:

- **Start Where You Are** Make sure that you understand the current process (both the defined process and what actually may be happening with the staff). The process was defined in a certain way for a reason. That reason may be outdated – but it may not – and you need to understand the background before you make changes.

  Understanding what the staff is currently doing (what they are *really* doing – not just what they are assigned to do) is critical. If they are not following the defined process or using whatever systems that are currently in place – you need to know. And you need to know why they are doing what they're doing.

- **Identify Your Must Haves** There are going to be things that are required for whatever approach you choose. Ensure that you have your "Must Have" list well documented and agreed upon before you get started. Otherwise you're setting yourself up to fail right out of the gate.

- **Identify Your Nice to Haves** These are important too. You may not be able to do everything that you'd like. But it is important that you identify any future plans or preferences to ensure that whatever you implement now won't preclude adding these items in the future.

- **Leverage What You Already Own** Look to use your existing network, systems, databases, security, mobile devices, etc. to make this easier on your IT staff. By using some of the tools that you already have – you not only get more value out of those tools, but you make it easier for your asset solution to fold into the existing administration environment. Tools that are easy to administer make for a happier IT team.

- **Understand that the First will be Worst** The first inventory that you conduct after implementing your new solution and processes will be hard. There is typically a lot of clean-up required as you get everything in order. You may need to apply new asset tags to everything, there may be a lot of data cleanup, and your team will have many questions and need more support than they have in the past. But every inventory that follows will get much, much easier.

The Power of the Scan
Accurate, Fast & Easy
5-40x Faster than Manual Data Entry
**10,000x More Accurate**
No line of sight?
No problem. RFID is Available
& RFID finds the tag for you.

Reap the Rewards & A Rapid ROI

The demands of customers, economies, and regulations are all constantly changing. Investing in a new approach to your asset inventories will pay off – significantly and quickly – without sacrificing your organization's highest priorities. The more efficient we are in every aspect of our businesses – including our asset investments – the better positioned we are to meet those changing demands.

Conducting an honest review and embarking on improvement initiatives can be challenging – and humbling – but are always worth it. Most organizations who embrace a fully automated inventory solution actually experience a full ROI within their first inventory activity – leaving only upside for the future.

Regardless of how your team steps forward, the measurement of success can be to **Improve with Less**.
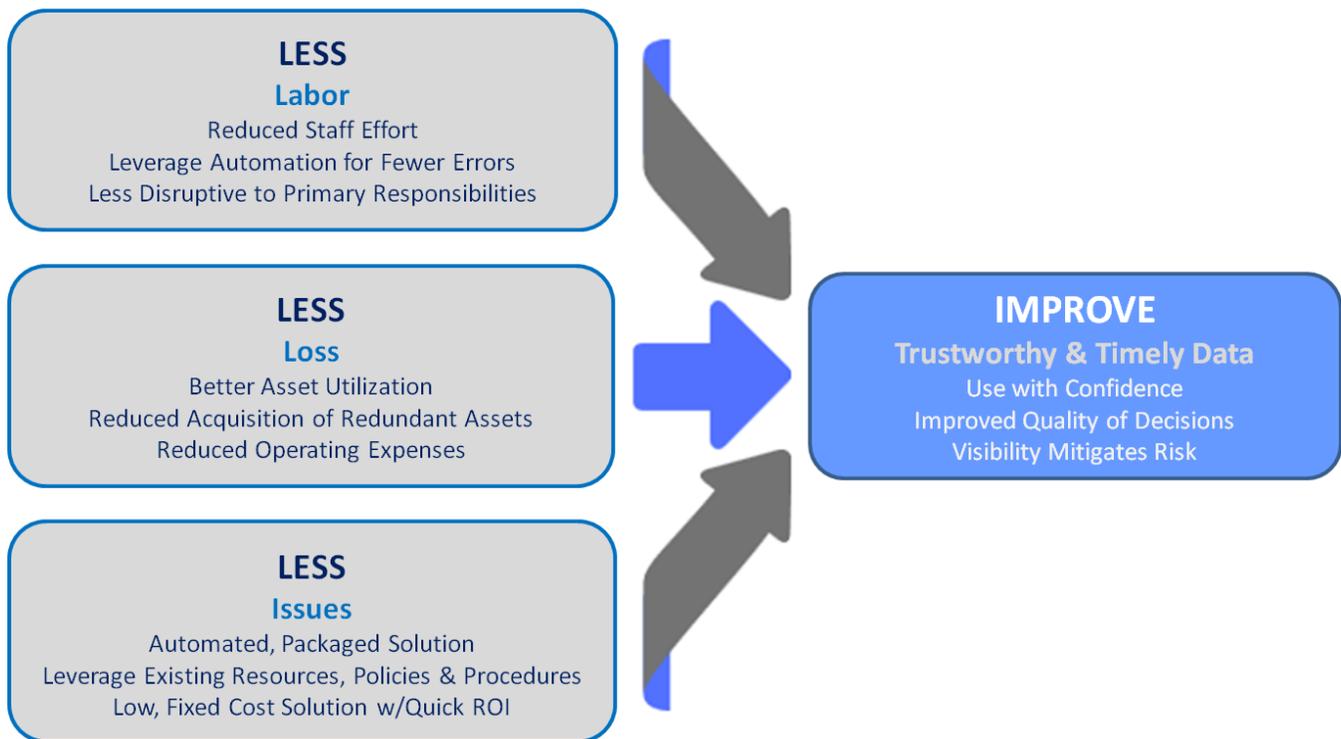
Getting Started

There are many options available to introduce automation to your inventory processes. Again, it starts with reviewing what you are doing now. Next, follow with your particular business requirements. And finally, look at what would make things easier for your team. By doing that, you'll be better positioned to identify the best tools to help your organization.

You don't need to accomplish this on your own. A second set of eyes can be invaluable. HL Group has been delivering successful automation solutions for over twenty years. Contact us to assist you in your review. Perhaps our experience and solutions can help you too.

A Case of Automation:

- A large university with multiple locations
- Conducts annual audits of fixed assets for their ERP

CHALLENGES:
- Sought to upgrade legacy system to a newer solution
- Needed increased functionality & tighter integration with ERP
- Needed all assets in a single cost center & single inventory file
- Had strict security guidelines for applications and mobile devices

mobilePLUS SOLUTION:
- Enabled use of existing tools in their ERP for the creation, tracking and reconciliation of mobile audits
- Offered additional filters to track previous work completed and easily identify items needing counting
- Architecture made integration with the ERP and network environment easy & met security requirements

RESULTS:
- Accomplished the goal of an easier approach to conducting inventories - and doing so quickly with fewer resources
- Issues found during inventory are identified earlier providing more time to resolve
- The entire implementation and ongoing support has been accomplished remotely – saving the university time and money

About HL Group

Originally founded in 1998 as the Logistics Division of I. Levy & Associates, HL Group spun off in 2005 to form a focused team of supply chain and source data capture solution experts. We work closely with our clients to improve their operations through technology and process improvement.

By providing a fresh perspective, depth of knowledge and cutting edge technology, we are able to design, develop and implement efficient and effective turn-key solutions tailored to the client mission and environment. HL Group combines our knowledge and experience with state of the art technologies to provide our clients with the functionality needed to streamline their asset management and supply chain processes.

mobilePLUS

mobilePLUS offers a packaged mobile item inventory capability for your tracking needs. This solution meets the challenge many organizations face when trying to effectively conduct mobile audits for financial, compliance, operational planning or other purposes.

Combined with industry leading mobile hardware and optional RFID technologies, mobilePLUS extends the reach of your business systems to quickly and accurately manage your assets and other items needing tracking.

mobilePLUS is a fifth-generation solution in production worldwide. It operates on Windows 10, Android and Win Mobile devices – with or without network coverage. mobilePLUS can be implemented and live in production, in your environment in a matter of days – not weeks.

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