How to budget an ISO 45001 implementation project

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Introduction

With the release of the new Occupational Health & Safety Management System (OHSMS) standard, ISO 45001, companies now have an internationally recognized set of requirements for the policies, procedures, and processes required to create an OHSMS that will continually improve OH&S performance, fulfill legal and other OH&S requirements, and achieve OH&S objectives for the company. Many companies are now looking for a systematic, cost-effective way to implement the standard within their organizations.

However, achieving the benefits of implementing any management system comes at a cost in terms of organizational resources such as time, personnel hours, and physical resources. The better prepared you are with knowledge about these costs, such as their source, value, and the amount of time they will be needed, the better chance you will have of successfully implementing the standard in an effective manner with minimal costs.

This white paper is intended to present to you some of the aspects that any organization should consider when they are preparing the ISO 45001 implementation project budget, to help you identify which implementation approach is best suited for you. We will consider resource availability, as well as three implementation options known as "On your own," "Hiring a consultant," and "Do it yourself with external support."

For more information on these three options, see the article 3 strategic options to implement any ISO standard.

1. Benefits of using budgeting practices in an ISO 45001 implementation project

Implementing an ISO 45001 OHSMS is very much like other projects you have done at your organization. You will need to acquire and utilize knowledge and resources, using personnel to achieve certain goals and targets in a specific timeline. So, just like any other project, you will want to have an idea of the cost of the project before you start, so that you will not run out of resources during implementation.

In general, there are two main types of costs that you will face during your implementation of ISO 45001. For these two cost types, forecasting expenses is useful so that you can ensure you have enough monetary resources to finish the project. These costs include:

Initial costs. These initial costs cover the resources you need to take all of the requirements of the ISO 45001 standard and make them work in your organization. Budgeting practices can help you to plan and control the project's progress by identifying risks and opportunities related to the project expenses before they occur, so that you can properly react and maximize the chances that the project will succeed.

Ongoing costs. Unlike other projects, the OHSMS does not have a definite end, so there will be regular costs related to operating the OHSMS. Budgeting practices during the implementation project can help support the ongoing budgeting process by developing a forecast of operational and maintenance costs that will be encountered after implementation and certification are achieved. This way, the new processes can be better integrated into the business processes.

2. Impact of the steps of an ISO 45001 implementation project in budget planning

Below is a table of the general steps that an organization will go through to implement an ISO 45001 OHSMS, and some information on the influence that each step will have on the project budget:

#	Project Step	Influence on budget	Estimated % of overall cost
1	Obtain management support	The most important component of implementation success is raising funds to get the project started. If top management isn`t behind the project, it is likely to fail, so it is critical to ensure funds are available for the project activities during changes in organizational priorities.	5%
2	Establish project structure	You can minimize losses and maximize savings by treating the implementation as a project where you forecast project costs, risks, and opportunities to be able to provide adequate resources.	
3	Define OHSMS context & scope	The more issues that can affect your OHSMS (context), and the larger the scope, the greater the budgetary needs will be in all aspects (e.g., money, time, staff, resources, etc.)	30%
4	Implement basic management system documentation	ISO 45001 only identifies a small number of mandatory documents, but the organization may define additional documents that it deems necessary. The greater the number of documents, the greater the cost to develop them.	
5	Conduct identification and evaluation of risks, opportunities, hazards, and legal requirements and develop mandatory documents	This part of the implementation takes a lot of time and effort, and much of this requires personnel outside of the implementation team to gather information (e.g., process owners, key users, etc.) The larger the scope, the more costs will be associated with this activity.	
6	Implement all processes and procedures	These expenses can be the hardest to foresee at the beginning of the project because you will have more reliable information after determining the hazards, risks, opportunities, and legal requirements that you need to incorporate into the OHSMS. However, the implementation will frequently involve adaptation of current practices that can be accounted for in the budget, and a good gap analysis at the beginning of the project can help.	35%
7	Perform training and awareness	Obviously, the more people in the scope of your OHSMS, the greater the cost to train these people on OHSMS information and changes. If there is a variety of areas in the scope (e.g., HR, production, marketing, etc.), there will also be a greater demand for more variety in the training needed.	

#	Project Step	Influence on budget	Estimated % of overall cost
8	Operate, monitor, and evaluate the OHSMS	While operating the OHSMS processes is not a project cost, there are costs associated with monitoring, measuring, auditing, and management review of the activities performed in the OHSMS scope. Additionally, this first round of review activities can help to validate the forecasted ongoing costs for the OHSMS after implementation.	30%
9	Improve the OHSMS	You will need to address corrective actions and opportunities for improvement during this first operation of the OHSMS. If the organization is choosing to certify he OHSMS, then these costs should be considered with more care to ensure a successful certification.	
10	Certify the OHSMS	The costs related to certification will vary according to the OHSMS scope, organization size, and the chosen certification body.	

For more detailed information on these topics, see these articles and free downloads:

- Diagram of the ISO 45001 implementation process for more detailed process steps
- 4 key benefits of ISO 45001 for your business and Project proposal for ISO 45001 implementation to help with gaining management support
- ISO 45001 Gap Analysis Tool for a simple online gap analysis tool that can help identify the main process gaps in your current organization
- Checklist of Mandatory Documentation Required by ISO 45001 to ensure that you don`t miss any required documentation

3. Types of costs in an implementation project

Considering the implementation steps from the previous section, it is possible to identify the following types of costs that should be taken into account when planning or evaluating the project budget:

Personnel costs: You will need internal people involved in the project, both full-time on the implementation team and occasionally for gathering information. Consider the number of working hours required and the hourly rates of these workers.

Material costs: You may need equipment, tools, facilities, documents, software, and other resources to perform the work of implementing the standard. There may be leasing, renting, and purchasing conditions in each item price.

Supplier costs: You may have costs from your regular contractors to consider, such as suppliers, transportation services, and others that already work with your organization. Consider the contractual situation and the potential number of working hours.

Service costs: There will be costs related to external training, consulting, and certification to consider in order to support the project. You must consider the benefits of getting external assistance, the price of the service, and the frequency of your usage. Note that some of these costs may become recurring costs in the ongoing OHSMS, such as certification services or training on legal issues.

Depending on which implementation solution you adopt, some costs may become sources of savings, as we will discuss in the next section.

4. Implementation options' impacts in budget planning

As mentioned, there are three alternatives you can use as an organization for your implementation project:

- On your own: You will only use the knowledge and capacity of your own employees to implement the OHSMS.
- Hire a consultant: You hire an expert from outside of your organization who has experience with implementing an OHSMS and the requirements of ISO 45001.
- Do it yourself with external support: Your employees will do the implementation, but they get resources that are ready-made to help them (e.g., document templates, checklists, etc.) and support (e.g., orientation on specific issues) from an external party.

As you might suspect, these options are a trade-off between costs in terms of money and human resources, time, and risks and opportunities:

Implementation option	Cost	Time	Risks	Opportunities
Do it on your own	The cheapest alternative, as you already have the HR resources.	Generally, this takes the longest time because you will need to acquire the knowledge you need. You may not have a full-time implementation team, and they will need to learn as they go.	Errors and mistakes may prove troublesome and more expensive than getting external help.	Staff commitment is increased, as they are developing and implementing the OHSMS.
Hire a consultant	The most expensive alternative, as good knowledge and experience are costly.	This will generally take the shortest time if you hire a good consultant.	Internal information is shared with the consultant, and if the OHSMS knowledge isn`t transferred to the staff, you could have problems.	Knowledge transfer to the staff by seeing an expert doing the implementation.
Do it yourself with external support	A compromise between doing it yourself and hiring a consultant. You have documents and knowledge provided by an external source that will save you time and effort in some activities.	This will be somewhere in between, if the project team has sufficient time to devote to the project and use the acquired resources.	Internal demands could overwhelm the staff`s capacity to work on the project, even with the external support.	Better knowledge transfer to staff, as they learn by doing.

The important thing to note is, if you realize savings in cost, these savings are lost by increasing something else, such as time or risks.

5. Tips to improve budget planning

As you elaborate and evaluate your budget, the following questions and resources, covering the main cost types, should be considered to help with budget inputs:

Human resources

- Do the people on the implementation team have project management backgrounds?
- Do the people on the implementation team have experience with similar projects?
- Are the team members people who can assume responsibility for the OHSMS after implementation?
- How much time will be required for OH&S issues, both during and after the project, and what will be demanded from the responsible persons?
- Instead of a consultant for the project, would it be better to hire an OH&S professional to not only implement the management system, but to take care of the OHSMS on an ongoing basis?

For more information on these issues, see the article: Who is the ideal project manager for your ISO 45001 project?

Material resources

- Can previous projects in the organization give insight into the development of the OHSMS documentation (e.g., policies, procedures, and records)?
- Are there books, videos, magazines, etc. that can provide good references for the project team?

Note: You should consider buying the ISO 45001 standard, at a minimum.

Service resources

- What OH&S training do we need (e.g., awareness training, internal auditor, etc.), and can it be performed by the project team to save the cost of expensive external training?
- With proper training of staff, could we contract external support only to deal with more complex issues to save costs?

For more information on these issues, see these articles, free downloads, and white papers:

- Why ISO 45001? - Awareness presentation
- List of questions to ask an ISO 45001 consultant
- How to choose an ISO 45001 consultant
- Implementing ISO 45001 with a consultant vs. DIY approach

6. Verifying the budget outline

When you evaluate a budget, one of the most important things to consider is the quality of the data used to prepare the budget. Because a budget is an estimate, even with the best budget, the less information you can find to support the budget numbers should lead to more worry about the accuracy of those numbers.

However, there are levels of concern regarding what you know. In some cases, the lack of information is caused simply by the stage of the project – for example, whether a project is just beginning or requires just a change request. How can you estimate the costs without a well-defined scope? How can you know how much OHSMS implementation will cost without the knowledge acquired from the risk assessment and the hazard evaluation? How do you know how much a change request will cost without an analysis of the scope?

In this situation, instead of trying to determine a precise value by gathering infinite detail, you should consider on what reliability level the information might be to assess the accuracy. Use this table to guide you:

Reliability level of information used for budget planning	Range of expected budget variation
You have only general industry statistics.	-25% to +75%
You have data from similar projects or change requests.	-30% to +50%
You have preliminary data about the project or change request.	-20% to +30%
You have detailed data about the project or change request.	-15% to +20%

For example, if you receive a budget value of $20,000 based only on industry statistics, you may expect the final cost of the project to be between $15,000 and $35,000.

This information won't resolve your budget reliability problem, but at least it will give you some perception about what needs to be done to put the budget back on track.

Conclusion

While not every expense may be predictable during the implementation of your OHSMS, starting with no plan of how much you are likely to pay for the project is a recipe for disaster. Any effort spent to meet a project deadline may be useless if cost overruns exceed the added value of the project, and this situation makes a project budget a critical component to ensure value creation from the OHSMS.

By forcing those involved in the project to look ahead, plan, and coordinate efforts, the budget planning process can help to identify risks and opportunities that, when addressed, will help keep the project under control. However, remember that even the best-planned budget will only be as reliable as the information you considered.

If you consider the information presented in this white paper, it can help you to better understand the required investment and potential expense of implementing the OHSMS. This will better improve your capacity to allocate personnel, technical, and other resources to greatly improve your chances of a successful ISO 45001 implementation project.

Sample of documentation templates

The following toolkits can help you with the processes for implementing and auditing the ISO 45001 standard:

- ISO 45001 Documentation Toolkit
- ISO 9001, ISO 14001, and ISO 45001 Integrated Documentation Toolkit
- ISO 45001 Premium Documentation Toolkit
- ISO 45001 Transition Toolkit
- ISO 45001 Internal Audit Toolkit

References

- 45001Academy
- ISO 45001 - OCCUPATIONAL HEALTH AND SAFETY

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