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ISO 9001 Online Consultation Center

How to Budget an ISO 9001 Implementation Project

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Executive summary

Considering the costs of inefficiency and the increasing challenges to deliver products and services that meet specified criteria and achieve customer satisfaction, more and more companies are seeking a way to increase their quality levels. For approaching the quality improvement systematically and achieving long-term results, the best way is to implement a Quality Management System (QMS), and ISO 9001 provides a framework that has already been recognized by the market and customers for several years.

This white paper will discuss the costs of implementing and maintaining ISO 9001, as well as the best practices for budgeting the project, how each step in the implementation affects the budget, and what options are at your disposal for implementing the standard – together with tips to improve budget planning.

Introduction

Over the years, ISO 9001, the leading global framework for implementation of Quality Management Systems (QMS), has established itself as leading management system tool to ensure that products and services meet specified criteria and the satisfaction of customers in a systematic, cost-effective way.

But, these benefits of management systems come at a cost, in terms of time, man-hours, and organizational resources, and the better your organization knows about these costs (their sources, values, and when they will be needed), the better the chances of achieving a successful implementation and effective operation with minimal costs.

This paper's goal is to present some aspects that an organization should consider when preparing an ISO 9001 implementation project budget, to help identify the implementation approach best suited, considering resource availability, and three implementation options knows as "On your own," "Hiring a consultant," and "Do it yourself with external support" (for more information, see: 3 strategies to implement any ISO standard).

1. Benefits of using budgeting practices in an ISO 9001 implementation project

In an ISO 9001 implementation project, you will face two main types of costs where the ability to forecast expenses is useful:

- The **initial costs** related to QMS implementation, where budgeting practices can help you plan and control the project's progress, by identifying risks and opportunities related to project expenses before they occur, so they can be properly treated to maximize the chances of project success.

- The **regular costs** related to QMS operation, where budgeting practices applied to the project can support the organizational budgeting process, by developing a forecast of the operational and maintenance costs of the ISMS after implementation / certification, so the new process can be better integrated into the business.

2. Impact of the steps of an ISO 9001 implementation project in budget planning

In general, these are the steps that an organization should take to implement an ISO 9001 QMS, and their influence on the project budget:

#	Project step	Influence on the budget	Estimated % of overall cost
1	Obtain management support	Paramount component to get the funds to start the project. Critical to ensure funds availability for the project activities during organizational changes and priorities changes.	5%
2	Establish a project structure	Minimization of losses and maximization of savings by the forecasting and treating of project costs, risks, and opportunities.	
3	Define the QMS scope	The larger the scope, the greater the budget needs will be, in all aspects (e.g., staff, organizational resources, money, etc.).	
4	Implement basic documentation for management system	Although the standard requires a small number of mandatory documents, the organization may define as many documents as it deems necessary, and the greater the number or complexity of these documents, the greater the costs to develop them.	
5	Conduct identification and evaluation of product/service requirements, risks, and opportunities and develop mandatory documents	The larger the scope, the more costs will have to be allocated related to staff (outside the implementation team) that must be involved (e.g., process owners, key users, suppliers, etc.).	15%

#	Project step	Influence on the budget	Estimated % of overall cost
6	Implement all processes and procedures	At the beginning of the project these expenses are hardest to foresee, because more reliable information comes only after determination of risks and opportunities and requirements to be met; however, implementation frequently involves implementation or adaptations of current practices that must be accounted for on the budget.	50%
7	Perform training and awareness	The more people in the scope, the more costs will be required for training and awareness. A diversity of areas in the scope (e.g., production, marketing, HR, etc.) also demands a greater variety of competencies to be mastered by the instructors for effectiveness.	
8	Operate, monitor, and evaluate the QMS	Project costs are associated with the monitoring, by the project team, of activities performed by users within the QMS scope. Additionally, this "first" cycle will validate the project's forecast for the QMS running and maintenance costs.	30%
9	Improve the QMS	Costs related to required corrective actions and approved opportunities for improvement identified in the QMS first running cycle should be considered with more care if the organization intends to get certified.	
10	Certify the QMS	Costs related to certification will vary according the QMS scope size and chosen certification body.	

For more detailed information, see these materials: Six key benefits of ISO 9001 Implementation, ISO 9001:2015 Implementation Diagram, and Checklist of Mandatory Documentation Required by ISO 9001:2015.

This short handbook will help you prepare the implementation project: Preparations for the ISO Implementation Project: A Plain English Guide.

3. Types of costs in an ISO 9001 implementation project

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

Personnel costs: Costs related to work of internal people involved with the project (full-time or occasionally), considering number of required working hours and hourly rates.

Material costs: Costs related to equipment, tools, facilities, documents, software, and similar needed to perform the work, considering leasing, renting, and purchasing conditions and item price.

Suppliers costs: Costs related to the organization's regular contractors (e.g., suppliers, transport services, and others that already work with the organization before the project begins) that will be involved in the project, considering number of required working hours and contractual situation.

Services costs: Costs related to external trainings, consulting, and certification services required to support the project, considering the benefits of getting external assistance, price of service, and frequency of use. Note that some of these costs may become permanent (e.g., certification services and specific trainings on quality management and legal issues).

Depending on the implementation solution adopted, some cost sources may become saving sources, as will be shown in the next section.

For more detailed information, see this article: What are the biggest challenges while setting up an ISO 9001-based QMS, and how do you overcome them?

4. Implementation options' impacts in budget planning

The possible alternatives an organization has to implement a project, as stated at the beginning of this paper, are:

- On your own: you use only the knowledge and the capacity of your own employees.

- Hiring a consultant: you hire an expert from outside who has experience with the implementation of the standard.

- Do it yourself with external support: your employees are doing the implementation, but they get resources (e.g., document templates, checklists, etc.) and support (e.g., orientation on specific issues) from an external party.

All these options are basically a relative trade-off between cost (in money and human resources), time, risks, and opportunities:

Implementation option	Cost	Time	Risks	Opportunities
Do it on your own	The cheapest alternative (you already have the HR resources).	Generally, takes the longest time (maybe there is no full-time team for the project or they have to learn "on the fly").	Errors and mistakes may prove more expensive than getting external assistance.	Increases staff commitment (they are developing and implementing the QMS).
Hiring a consultant	The most expensive alternative (knowledge and experience are costly resources).	Generally, takes the shortest time (if you hire a good consultant).	Internal information is open to outsiders.	Knowledge transfer to staff (learn by seeing).
Do it yourself with external support	A compromise between "do it on your own" and "hiring a consultant" (documents and knowledge provided	Somewhere in between "do it on your own" and "hiring a consultant" (if the project team has	Internal demands may overwhelm staff's capacity to work on the project, even	Better knowledge transfer to staff (learn by doing).

Implementation option	Cost	Time	Risks	Opportunities
	by external support can save you time and effort in some activities).	sufficient time to devote to the project).	with external support.	

The important thing here is, if you realize savings in cost, these savings are being "paid" by increasing something else (time or risks).

5. Tips to improve budget planning

As you work on elaborating or evaluating a budget, the following questions, covering main cost types, should be considered for budget inputs:

Human resources

- Are there people in my team with project management backgrounds?

- Are there people in my team with experience in similar projects?

- Are there people in my team who can assume responsibility for the QMS after implementation?

- How much time will be required for information security issues, during and after the project, and what will be demanded from the person responsible?

- Instead of a consultant for the project, should I hire a security professional to take care of the project and the following QMS operation?

For more information about these issues, see:

- How to choose a project manager for your ISO 9001:2015 implementation

- Choosing the best person for the job of quality management representative

- What is the job of the Quality Manager according to ISO 9001?

Material resources

- Can previous projects in my organization give insight into the development of QMS documents (e.g., policies and procedures)?

- Can books, videos, and magazines about quality management also provide good references to my project team and employees?

Note: You should at least consider buying the ISO 9001 standard.

Service resources

- Which quality system trainings (e.g., foundations, internal auditor, etc.) can be performed by my project team if they have enough knowledge, and thereby save costs on external training?

- With proper training of my staff, could we contract external support only to deal with more complex quality issues, and thereby save costs on dealing with common issues by ourselves?

For more information about this issue, see:

- List of questions to ask your ISO 9001 consultant

6. Verifying budget outline

When evaluating a budget, one of the most important things you have to do is ensure the quality of the data used to prepare the budget. A budget is an estimate, and the less information you can find to support the budget, the more worried you should be.

But, there are levels of concern regarding what you know. In some cases, the lack of information is caused simply by the project's current phase – for example, at the project's very beginning, or immediately after change requests. How can you estimate costs without a well-defined scope? How can you know how much QMS implementation will cost without the information provided by risk assessment? How do you know how much a change request will cost without a scope analysis?

In this situation, instead of trying to come up with a precise value, you should consider in what range it might be, and you can use the following table to guide you:

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

For example, if you receive a budget value of $20,000 based only on industry statistics, you may expect that the final cost of the project will 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

All effort spent to meet a project deadline and users' needs may be useless if cost overruns exceed the added value. This situation makes a project budget a critical component to facilitate value creation and preservation.

By forcing the people involved to look ahead, plan, and coordinate efforts, the budget planning can help identify risks and opportunities that can be treated to keep the project under control. But, even the best planned budget will be only as good and as reliable as the information you consider.

The information presented in this paper, related to an ISO 9001 implementation project, can help an organization to better understand required investments and potential expenses, improving its capability to better allocate personnel, technical, and other resources, greatly improving chances to be successful in such a project.

Useful resources

These online materials will help you with ISO 9001:2015 implementation:

- ISO 9001 Documentation Toolkit – full set of documents with expert support.
- ISO 9001 Foundations Course – free online training that explains the basics of the standard, and the implementation steps.
- ISO 9001:2015 Lead Implementer Course – free online training that explains everything you need to know about ISO 9001, plus how to become an independent consultant for implementing a Quality Management System (QMS.

References

- 9001Academy
- PMI (2012) A Guide to the Project Management Body of Knowledge, 5th Ed
- http://www.pmdocuments.com/project-execution/