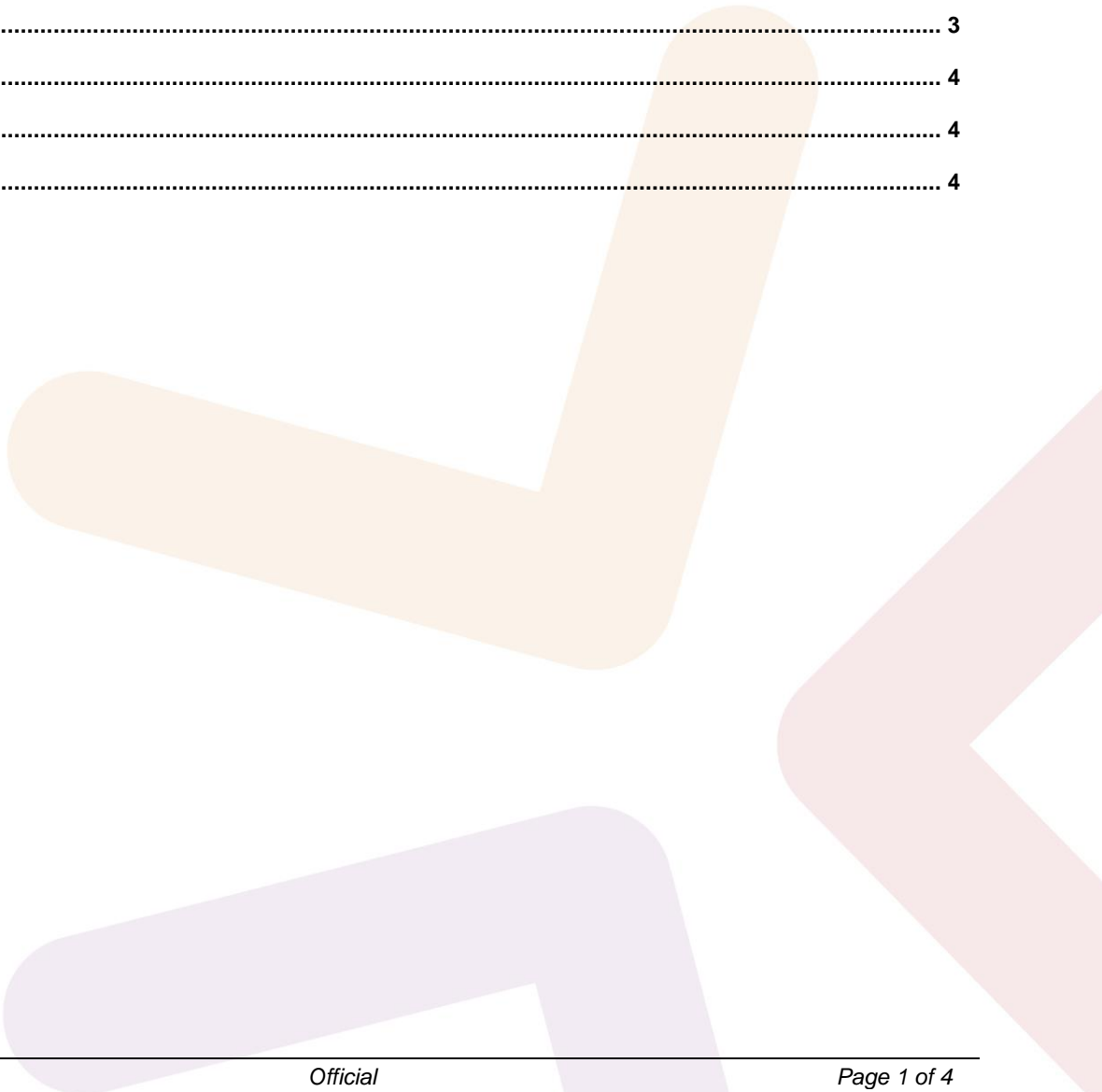


Guide to Assessing Capability

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What is capability?

Competence, capability and capacity are often used interchangeably to describe an individual's or organisation's ability to perform tasks or activities effectively.

In the context of managing procurement activity, the term 'capability' is increasingly used to describe the combination of an organisation's expertise, resourcing, systems, policies and processes to execute and manage specific procurement tasks and activities.

Why assess capability?

An assessment of capability ensures procurement activities are supported by the appropriate skills, resources, systems and processes. It can be measured at the organisational, business unit or individual level. The results of your capability assessment, coupled with an understanding of the complexity of your procurement activities, will identify whether or not you should proceed with a procurement activity.

If sufficient expertise is not available, you can take steps to increase procurement capability through training, process/system changes, identifying individuals with specific category expertise and/or increasing internal capability by engaging external expertise.

How often to assess capability?

An assessment of capability at the organisational level forms part of your annual procurement planning process. You may also need to assess capability at the business unit or individual level if:

- You have a multiple or a decentralised procurement function; and/or
- There are significantly different levels of procurement capability in the organisation.

Assessing a higher level of capability at the business unit or individual level allows these areas of your organisation to carry out more complex procurements than would otherwise be permitted by your organisational capability assessment.

A significant (or material) change to your governance structure, organisational design, staffing, training, processes, tools and/or systems, will more than likely require a new capability assessment. A significant change in the external environment in which the organisation operates can also trigger additional capability assessments.

The capability assessment

The capability assessment structure can be used to assess capability at the organisational, business unit, or individual procurement personnel level. It identifies current procurement capability as well as capability gaps to drive continuous improvement.

Capability Assessment Template

The capability assessment template focuses on current capability. It does not take into account planned enhancement of capability. A further assessment can be prepared once the added capability has been implemented and is operational.

Capability assessment process

There are four key steps to assessing capability:

1. Determine appropriate level for capability assessment
2. Perform a capability assessment
3. Does the organisation have the required capability?
4. Build capability (where necessary).

Step 1: Determine appropriate level for capability assessment

The head of your organisation (or delegate) determines what level of assessment is required, i.e., organisational, business unit, or individual procurement personnel level. A health service would expect to complete an organisation level assessment regularly to cover all areas involved in procurement (depending on the size of your health service and in-line with your governance processes).

Step 2: Perform a capability assessment

A capability assessment template has been developed by HealthShare Victoria, to assist health services with its capability assessment. A capability matrix which aligns skills and knowledge to the level of responsibility of procurement practitioners is also available on the HSV website.

When deciding the appropriate level for the capability assessment, consider:

The structure of the procurement function in the organisation, i.e., is it centralised or decentralised.

Whether some business units/individual personnel are likely to have significantly higher procurement capability than the overall organisation.

Whether certain business units/individuals already carry out significantly more complex procurement activities.

Step 3: Does the organisation have the required capability?

Where organisation/business unit/individual procurement personnel are identified as having sufficient capability to carry out an identified procurement activity, the organisation /business unit/individual procurement personnel would continue through to the next stage of procurement planning.

Where the assessment indicates insufficient capability in relation to the complexity of procurement activity, proceed to *Step 4: Build capability*.

Step 4: Build capability (where necessary)

Your organisation can develop internal capability and/or increase capability from external sources. Consider action in one or both of the following areas.

Internal capability

- Training: Identify the capabilities that require development and establish appropriate training program(s) to close the capability gaps. Ensure the successful completion of the identified training needs

- **Process/system changes:** Identify the governance, organisational design, collaboration, training, processes, tools and system which may be improved in order to close the identified capability gaps. These opportunities for improvement should relate to those identified in your organisation's procurement strategy.

External capability

Engaging external procurement contractors: Identify opportunities to increase the procurement expertise of the organisation with external expertise and ensure capability gaps are adequately filled.

More information

Related documents and templates are available on the HSV website.

Disclaimer

The information presented in this document is general in nature and based on HealthShare Victoria's interpretation of the Health Services Act 1988 (Vic) and any ancillary legislation and regulations in effect at the time, and should not be relied upon as legal advice. Please consider seeking professional and independent advice from your legal representative as to the applicability and suitability of this information and the legislation to your own business needs or circumstances.