

# Guide to Opportunity Assessment

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## What is Opportunity Assessment?

Opportunity Assessment is the process of evaluating an idea, concept, or opportunity to determine whether there is sufficient strategic, market, and financial merit for continued consideration and possible development into a product or category.

## Benefits of an Opportunity Assessment

The results of an Opportunity Assessment can be used to:

- Refocus and prioritise existing resources
- Identify quick wins and define work streams that can drive further improvement in the long term
- Introduce new processes and techniques that can drive additional benefits
- Provide clarity on how to deal with existing constraints that are slowing down benefit realisation.

## Where do I Start?

Carrying out an Opportunity Assessment consists of conducting a number of separate analyses and project phases.

Start with identifying if there are any early opportunities for cost savings or total cost improvements.

## Considerations

- Can the procurement be implemented within 90 days?
- Can the organisation realise the benefits within six to twelve months?
- Are the outputs of the procurement aligned to health services buying standards for sustainable procurement?
- Is the procurement relatively easy and straightforward to do?
- Is the procurement tactical and short-term in nature and does it support the strategic plans of the health service?
- What is the existing spend dimensions and health service capability?

## Identify Opportunity Assessment factors

There are many factors to consider for implementation of all opportunities including early opportunities. To validate business requirements and to understand the environment and possible constraints a list of considerations (not necessarily limited to this list) are provided below:

- Number of geographical locations/business units involved
- Regulatory, safety, criticality, legal, specification changes
- Use of external technology
- Acceptability to the organisation
- Business unit readiness
- Supply market challenges
- Skills and knowledge
- Number of people involved in the deployment
- Results of the risk assessment (conducted earlier).

## Develop a Strategic Business Case that identifies Key Areas to highlight opportunities

Whether you want to find ways of managing costs, cash or optimising supplier performance, conducting a formal opportunity assessment can be a powerful catalyst to help you improve your sourcing process. The process below may assist you.

Develop a business case that includes:

- Strategic analysis of the current sourcing process
- A completed comprehensive spend analysis
- A market analysis

This approach will help you highlight and understand the existing environment and prioritise profit opportunities.

Three key areas are suggested to cover all considerations:

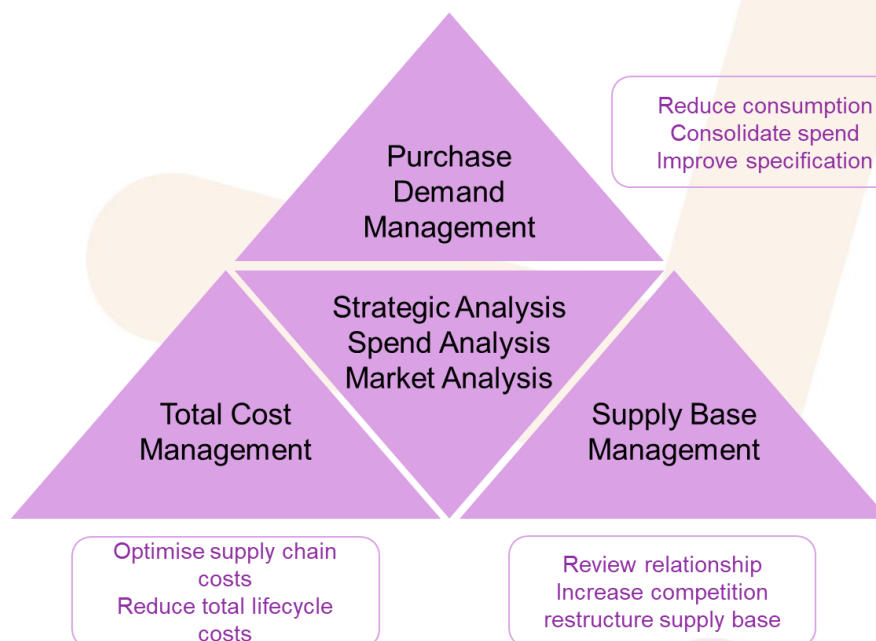
- Purchase Demand Management
- Supply Base Management
- Total Cost Management.

The above are portrayed as the three sides of the 'Best Value Triangle' (BVT).

For each of the potential opportunities on the triangle, the procurement practitioner should assess and highlight those opportunities that could be exploited and use the BVT to determine how these opportunities could be applied to the commodity in question, bearing in mind any risk assessment considerations.

The model of the BVT is provided below.

**Figure 1:** Best value triangle



The triangle refers to components within the corresponding elliptical. Each component is further broken down into actions for consideration that would be appropriate to the analysis. [Appendix 1](#) provides a table to assist you to review considerations for each key area and is a useful tool.

This exercise should be proportionate to the complexity of your requirement.

You are not always expected to address every aspect of the best value triangle but to try and align as far as possible. The attached opportunity template is an aid to quantifying and prioritising the opportunities.

Once you have an overall idea of the possible opportunities you may need to review each individual opportunity to estimate the savings and the next steps in the process. [Appendix 2](#) has been developed to assist you to consolidate this process.

## Importance of developing a comprehensive spend analysis

It is critical that a comprehensive spend analysis is completed as part of the initial opportunity assessment analysis to estimate possible savings. The Guide to completing a Spend Analysis will assist you with how to complete this process.

Once you have summarised your data, it is possible to analyse, and track spend by category, supplier, vendor, period, function, business units, cost centre, GL account and invoice level.

Turning the mass of available data into useful information will enable you to:

- Identify and prioritise opportunities for cost reduction by category and project wave
- Engage with stakeholders and using the available information to provide a new perspective on their areas of responsibility
- Using the available information, engage with stakeholders to provide a new perspective on their areas of responsibility
- Justify investment in additional resources to accelerate benefits
- Track contract compliance and identify scale and synergy opportunities.

Knowing 'who spent what, with whom, and where', is a critical initial step to identifying whether the opportunity is worth considering.

## Complete the Business Case

Following analysis and assessment using the Best Value Triangle model, and the Individual Opportunity Assessment, the procurement practitioner will garner sufficient information to complete the business case including recommendations for progressing with the product or category to the next stage of the process that could result in an Invitation to Supply (ITS) process.

The ITS process is not included in this guide; however, the list of resources below will provide information to proceed further.

## 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.

## Appendix 1: Best Value Opportunity Assessment

**Table 1:** Best value opportunity assessment

Key Areas	Objectives	Considerations	This section to be completed by a Procurement Practitioner						
			Spend	Description	Time	Benefits	Resources	Pros	Cons
<b>Purchase Demand Management</b> <i>Have you considered this?</i>	Reduce Consumption	The Business case should include: <ul style="list-style-type: none"> <li>• Estimated savings</li> <li>• Reduce spend by non-conformists</li> <li>• Re-use and share products and services</li> <li>• Challenge demand</li> <li>• Find alternative ways to meeting needs</li> </ul>							
	Consolidate Spend	<ul style="list-style-type: none"> <li>• Leverage across departments</li> <li>• Collaborate with other health services/health services</li> <li>• Manage sustainability compliance</li> </ul>							
	Improve Specification	<ul style="list-style-type: none"> <li>• Detail specifications</li> <li>• Review a lower cost specification</li> <li>• Review optimal service level</li> <li>• Quantify spend volumes</li> <li>• Review low impact/cost of disposal</li> <li>• Review durable products where appropriate</li> </ul>							
<b>Supply Base Management</b> <i>Have you considered this?</i>	Review Relationships	<ul style="list-style-type: none"> <li>• Develop strong relationships with preferred suppliers</li> <li>• Introduce supply development programs</li> <li>• Review or establish service level agreements</li> <li>• Build sustainability into contract management where appropriate</li> <li>• Establish incentive provisions in contracts if appropriate</li> </ul>							

This section to be completed by a Procurement Practitioner

Key Areas	Objectives	Considerations	Spend	Description	Time	Benefits	Resources	Pros	Cons
	Increase Competition	<ul style="list-style-type: none"> <li>Review value for money – cost versus benefits option</li> <li>Estimate cost-breakdown</li> <li>Build supplier performance on sustainability into evaluation where appropriate</li> </ul>							
	Restructure Supply Base	<ul style="list-style-type: none"> <li>Consider supplier consolidation</li> <li>Consider open book contracts</li> </ul> <p><i>(In an open-book contract, the buyer and seller of work/services agree on (1) which costs are payable and (2) the margin that the supplier can add to these costs. The project is then invoiced to the client based on the actual costs incurred plus the agreed margin. Open-book contracts are favoured over fixed-price contracts because, in a fixed-price, a negotiated amount is paid regardless of any extra expenses. Contractors, then, don't make a profit, rendering the contracting revenue opportunity null. If contractors can't make a profit working with the organisation, a lot of the talent that the organisation needs to function will leave. Truly, if the organisation wants to be better, or need to have a better approach to contractors)</i></p>							
<b>Total Cost Management</b> <i>Have you consider this?</i>	Optimise Supply Chain Costs	<ul style="list-style-type: none"> <li>Review design/development</li> <li>Integrate logistics</li> <li>Review lengthy tender processes</li> <li>Implement 'Lean' supply techniques to minimise waste</li> </ul> <p><i>(The term "lean supply" impels that the supply chain is appropriate for lean production. Lean production is a concept of waste elimination in processes, which has enjoyed popularity in manufacturing companies. The basic tenets of lean production as outlined by Womack and Jones (1996) include the following:</i></p>							

This section to be completed by a Procurement Practitioner									
Key Areas	Objectives	Considerations	Spend	Description	Time	Benefits	Resources	Pros	Cons
		<ul style="list-style-type: none"> <li>Specify value</li> <li>Identify the value stream</li> <li>Organise the value stream to promote flow</li> <li>Communicate demand</li> <li>Strive for perfection)</li> </ul> <ul style="list-style-type: none"> <li>Work with suppliers to identify and prioritise options and alternatives</li> </ul>							
	Reduce Total Ownership Costs	<ul style="list-style-type: none"> <li>Re-engineer processes</li> <li>Consider outsourcing</li> <li>Reduce stock holding</li> <li>Build disposal costs into Total Cost Ownership Model (TCO)</li> <li>Build sustainability into processes</li> </ul>							
	Reduce Transactional Costs	<ul style="list-style-type: none"> <li>Rationalise suppliers and requirements</li> <li>Consolidate invoices</li> <li>Streamline process that are resource intense</li> </ul>							

## Appendix 2: Individual Opportunity Assessment

Complete one sheet for each opportunity identified using the Best Value Triangle (BVT)

<b>Title:</b>		<b>Opportunity Category (link to BVT)</b>			
<b>Description and Scope of Activity</b>					
<b>Implementation</b>		<b>Resources</b>		<b>Estimate of Savings</b>	<b>Other Benefits Identified</b>
<b>Ease</b>					
<b>Timing</b>					
<b>Risks and Issues</b>				<b>Next Steps / Recommendations</b>	
<b>Description</b>	<b>Assessment Results (Probability/Impact)</b>	<b>Date of Assessment</b>	<b>Mitigating Actions</b>		