GAP ANALYSIS

Introduction

A GAP analysis is a method assessing the performance of a business unit to determine whether business requirements or objectives are being met and, if not, what steps should be taken to meet them. Companies use this process to compare their current performance- by measuring time, money, and labor with their desired or expected performance. By defining and analyzing these gaps, the management team can create an action plan to move the organization forward and fill in performance gaps.

A gap analysis can be useful when companies aren't using their resources, capital, or technology to their full potential or to assess the difference between rate-sensitive assets and liabilities.

Definition

The term "gap" refers to the space between "where we are" (the present state) and where "we want to be" (the target state). A gap analysis can also be referred to as need analysis, need assessment or need-gap analysis.

When to use a GAP Analysis

Gap analysis can be performed on:

- A Strategic Level- to compare the condition or level of your business with that of the industry standards
- At an Operational Level – To compare the current state or performance of your business with what you had desired.

Where Gap Analysis Is Used

Gap analysis can be used by organizations of varying degrees, from large corporations to small businesses. There is no limit to which areas can benefit from using this strategy; these areas include the following:

- Sales
- Quality control
- Financial performance
- Human resources
- Employee satisfaction

Understanding GAP Analysis

When organizations aren't making the best use of their resources, capital, and technology, they may not be able to reach their full potential. This is where a gap analysis can help.

A gap analysis, which is also referred to as a needs analysis, is important for any type of organizational performance. It allows companies to determine where they are today and where they want to be in the future. Companies can reexamine their goals through a gap analysis to figure out whether they are on the right track to accomplishing them.

The 4 Steps of Gap Analysis

The four steps of a gap analysis are the construction of organizational goals, benchmarking the current state, analyzing the gap data, and compiling a gap report.

Step One: The first step is to accurately outline and define the organizational goals or targets, all of which need to be specific, measurable, attainable, realistic, and timely.

Step Two: In the second step, historical data is used to measure the current performance of the organization as it relates to its outlined goals.

Step Three: The third step is to analyze collected data that seeks to understand why the measured performance is below the desired levels.

Step Four: The fourth and final step is to compile a report based on the quantitative data collected and the qualitative reasons why the data is below the benchmark. The action items that are needed to achieve the organization's goals are identified in the report.