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What is 'Gap Analysis'

Gap analysis refers to the process through which a company compares its actual performance to its expected performance to determine whether it is meeting expectations and using its resources effectively. Gap analysis seeks to define the current state of a company or organization and the target state of the same company or organization. By defining and analyzing these gaps, a business management team can create an action plan to move the organization forward and fill the gaps in performance.

BREAKING DOWN 'Gap Analysis'

Conducting a gap analysis can help a company re-examine its goals to determine whether it is on the right path for accomplishing them. Gap analysis consists of four steps, ending in a compilation report that identifies areas of improvement and outlines an action plan to achieve increased company performance. The steps are: Construct organizational goals, benchmark the current state, analyze the gap data, and compile a gap report.

The Four Steps of Gap Analysis

The first step is to accurately outline and define the organizational goals. All goals need to be specific, measurable, attainable, realistic and timely. The second step is to use historical data to measure the current performance of the organization as it relates to its outlined goals. The third step is to analyze the data that was collected, which seeks to understand why the measured performance is below the desired levels. The fourth and final step is to compile a report based on the quantitative data collected, the qualitative reasons why the data is below the benchmark, and to identify action items needed to achieve the organization's goals.

Gap analysis was widely used in the 1980's, typically in tandem with duration analysis. It is considered harder to use and less widely implemented than duration analysis, but it can still be used to assess exposure to a variety of term structure movements.

SWOT Analysis vs GAP Analysis

SWOT analysis and GAP analysis can be used in different context and they might give a different meaning in those contexts. Below is a breakdown of SWOT analysis vs GAP analysis in the context of a company.

- SWOT analysis evaluates a company against its peers, while GAP analysis is internal evaluation to identify performance deficiencies.
- SWOT analysis is done for long term planning while GAP analysis is often done to reach short term goals.
- SWOT analysis is often a comprehensive study evaluating many aspects and many competitors. GAP analysis can be very simple targeted towards fine tuning one process.

For more information or to assist in conducting a SWOT or GAP analysis, contact us at info@chvgroup.com
