Gap Analysis

Version 1.0

By Ihab Khayyat

روابـــي القابضة

Rawabi Holding

It is believed that our business performs better if all required planning is done in advance. Irrespective of your operation or business, we can reduce gaps in performance only if all planning is done in time with all resources ready for use. Performance Gap Analysis examines particular aspects of business performance for problems and suggests solutions for these problems. It is a diagnosis-oriented analysis that pinpoints problems such that a Business Unit or a department can perform to plan and achieve the desired results. Very often any kind of negative performance in the business results in gaps and hammers the progress ahead. Business managers need to analyze the reasons for gaps and take efforts to make the necessary changes for conditions to work accordingly.

Gap analysis requires an established system of measurements such as company metrics, targets, or goals. When performance clearly indicates a trend of a distance between the current situation and the desired performance, certain steps are followed so that the business gap can be analyzed and removed to bring the business or growth back on track again. The targets for each metric usually are calculated or emerge from the goals of the business. However, you will frequently find that the actual state of the business is not meeting these requirements – which a gap exists between what we need as a business and what we are actually getting. That gap could be local issues, dealt with via daily management, or it could be issues that cross traditional management lines, which are handled in cross-functional management. Basically, you need to start business gap analysis procedures from inside factors and later from outer factors.

In order to characterize and affect the business gap it is essential to analyze your Business Unit's plans, goals, and responsibilities. If in case all duties are not assigned properly to all employees, there will definitely be a gap in business growth. The business plans and goals must be SMART; that is Specific, Measureable, Achievable, Realistic, and Timely.

It is also essential to define the desired results for all functions (such as Sales or Business Development) and assign all responsibilities accordingly to the staff and maintain a clear focus on their scope of work. If the Business Unit lends proper focus on expected results and aligns its functions accordingly there will be no issues of gap relating to internal factors. Measuring the individual performance as well as keeping documented records will help a lot in determining the requirements for corrective actions.

A comparison between actual and desired results based on established business operations and processes will help business managers characterize the gap and understand all the required improvements. This kind of gap can be especially highlighted when comparisons are made over a sequence of intervals in a fixed timeline. When a trend of performance gap is clearly visible it can be a good indication of management, organizational setup, or team weaknesses.

Identifying gap drivers requires robust reporting and KPI systems and a keen eye on data analysis. The basic reasons for business gaps can be analyzed by asking questions like: Why did the gap occur? Due to whom did the gap occur? Usually, questions like these can be answered with straight forward statistical methods such as Analysis of Variances (ANOVA) and/or Correlation analysis. Then you need to ask the question: What can be done to remove the gap and bring the business back to plan and how long would it take? At that point, you would have some options available and certain tradeoffs to make.

To put a structure to the gap analysis process, let's say it can be conducted in three different stages. To start with, you should use your management dashboards to identify and clearly state the problem – an issue that could be expressed in terms of unmet goals or specific, weak positions (e.g. weak sales or manufacturing process) that need to be strengthened to improve your Business Unit's performance. Next, you need to develop criteria to accurately characterize the current (weak) performance in relation to your Business Unit metrics and plans and then the performance required to solve the problem. Root cause analysis (RCA) can be one of the methods to effectively pinpoint the problem through the Fishbone analysis tool in addition to the statistical methods I mentioned earlier. The last step would then be to formulate and implement corrective actions to move from current performance to the desired, planned performance.

Once you have identified and analyzed all possible business gap reasons, possible options can be put to practice to make things better. Identifying all possible solutions is not too cumbersome if their root cause is recognized. Implementing the solutions will work out to a high degree to bridge the gaps in business and quickly stabilize operations. To be on the safe side all possible elements that may create gaps should be studied in advance and workflow should be continued accordingly.