

What is a Gap Analysis? Free Template

There will always be gaps between where your business is and where you'd like it to be. Unless you're hitting all your benchmarks, most businesses have room for growth and improvement — a new market to explore, new partnerships to forge, new sales targets to achieve and new marketing strategies to implement.

That gap between your current state and your ideal outcome is inevitable. The gap varies, but it's there. How do you bridge that gap? How do you take your business from here to there? How do you cross that bridge?

Enter the gap analysis methodology. Businesses like yours can use gap analysis to compare your present performance with your desired performance. A gap analysis unlocks doors of potential for your business and sheds light on the gray areas that keep your business down.

You may be aware your business needs some changes, but you're not sure what to do. You want your business to grow but aren't sure what areas to work on. This is where the gap analysis comes in handy. This guide walks you through the whole process of conducting a gap analysis for your business, why you need to perform a gap analysis, when to conduct it and how to execute it.

What is a Gap Analysis?

Also known as needs analysis, a gap analysis examines why you aren't achieving your business goals. It gives you a bird's eye view of where your business is at and where you want your business to be, revealing the gap between the current and ideal outcomes and giving you concrete steps to take to close the gap.

A gap analysis works as an efficiency tracker that uncovers problems, reveals solutions and moves you closer to your business goals. Businesses can use different types of gap analyses for specific areas in product, marketing, skills and finance. Although each type has a specific function, all processes have one purpose — to get your business to the next level.

Business owners can get caught up in the daily activities of managing their business. They need a tool to examine their business objectively without any biases and prejudices while spotting gaps that need to be filled. You'll be surprised that a gap analysis isn't hard to do. This free template will help you conduct a thorough gap analysis for your business quickly and effectively.

Free Gap Analysis Template

Although a gap analysis sounds complicated and intimidating, it's done using an easy step-by-step process. Here's a simple, customizable gap analysis template you can use today:

Goals	Current State	Gap	Root Cause Analysis	Corrective Actions

A gap analysis template lets you visualize the whole process, from identifying your goals and current state to figuring out the gaps, problems and solutions. The template is customizable and can be applied to different areas of your business. In the first column, write the goal of your business. Focus on one area or aspect of your business and highlight that one goal you want to achieve. This goal serves as your ideal outcome.

In the second column, describe the current state of your business. Be logical and factual in writing the realities. This helps you in figuring out the gaps. In the third column, write the gaps between your goal and your current state. Use numbers or percentages if possible. Now that you've identified the goal, current state and gaps, it's time to write the root cause of the problem. Lastly, write possible solutions to address the problems in the last column.

Steps to Conduct a Gap Analysis

There are five steps to a gap analysis. Each step builds on the previous step. So it's crucial to be honest and logical in defining each process when filling up the template. The gap analysis template above highlights the process. They are the following:

1. **Define goals and desired outcomes:** A gap analysis starts from within. You need to define goals for your business. The more specific you can be, the better. For example, your goal might be to be the biggest financial services company in the country. This is a great starting point as you can now identify areas to focus on to achieve this goal.

Then you also need to define the desired outcomes or the ideal future of your business. For example, you may want to figure out why your financial services company isn't meeting its target for the year. A good question to ask is, "If everything works according to your plans, where would you be?"

2. **Assess current state:** Now it's time to examine the current state of your business. Ask yourself hard questions like how is your company doing or what are the challenges you're facing. Go through the different areas of your business like finances, marketing, sales, HR, production, product development and more.

You can have separate statements for each area, too. For example, you can highlight your existing number of customers or market share. You can also go into the details such as customer service and employee turnover. The goal of this step is to get a level-headed overview of your business.

3. **Identify gaps by comparing current vs desired state:** Knowing your goals, desired outcomes and current state, you should be able to see the gaps. There's power in comparing your current situation with your ideal future situation. Now you're seeing the disparity that needs to be fixed. How far from the target is the actual number?

For example, your sales team might be struggling because they lack product training, which results in lackluster sales. This gap is the gray-shaded area of your business, which represents the area you need to work on.

4. **Analyze root causes of gaps:** While it's tempting to jump into solving that problem right away, it's important to analyze the root cause of the issues. Some businesses fail to do this step, leading them to waste time and resources solving the wrong problem. It's crucial to analyze the root causes of the gaps.

Ask a lot of "whys" to get into the underlying issue. This is also called the "five whys" method. Of course, you might need to ask a few or more "whys". The idea is to get into the heart of the problem and discover solutions.

5. **Create an action plan to address gaps:** Of course, a gap analysis will not be complete without action. If you don't take action after doing all the analysis, you'll find yourself back to where you are from the beginning.

After analyzing the root causes of the gaps, it's time to create action steps that will close the gaps. In this step, your focus is to close the gaps with your solutions. More importantly, execute your action plans and regularly monitor your progress.

Why Perform a Gap Analysis?

Is a gap analysis necessary? It depends on your situation. While there are countless strategy tools at your disposal, a gap analysis is great for addressing specific business challenges. These areas include process improvement, risk management, performance development, strategic planning and more. But here are the top three reasons why you should be doing a gap analysis:

- **Improved efficiency:** A gap analysis identifies the inefficient areas in your business and attempts to fix those areas with strategic solutions.

- **Gaining competitive advantage:** A gap analysis can lead to better processes and profitability. This makes your business more competitive than the rest.
- **Better decision-making:** A gap analysis gives you the essential insights to make informed decisions in your business.

Because a gap analysis examines your business goals, current situations and ideal outcomes, it's a powerful tool for strategic planning.

When to Conduct a Gap Analysis

A gap analysis can be done at any stage or area of your business. Whether you're looking to start a new company or venturing into a new market, a gap analysis can help you identify gaps that are keeping you from achieving that goal. It's important to note that as a business owner, you should be constantly evaluating your products and services.

You can use gap analysis during the product management cycle, budgeting and forecasting or product development phase. It's essentially applicable to almost any area of your business. That's why it's often used in strategic planning.

Types of Gap Analysis

There are many types of gap analyses. But two of the most important ones are product and performance gap analysis. A product gap analysis helps identify gaps in your product offerings by examining product features, market fit and product development.

On the other hand, a performance gap analysis focuses on the overall performance of an organization by looking into systems and people. In a nutshell, a product gap analysis focuses on the gaps between product supply and demand while a performance gap analysis examines the gaps in attaining organizational goals.

Alternatives to Gap Analysis

A gap analysis may not be the ideal strategy tool for your business. This is perfectly fine since these business tools have their unique purpose. For instance, a gap analysis, as its name suggests, spots gaps between your current situation and your ideal future.

A SWOT analysis, on the other hand, helps you identify strengths, weaknesses, opportunities and threats to your business. They are two different tools, but they're efficient frameworks for strategic planning. Other alternatives include OKRs, Balance Scorecard, PEST and many others. However, it's worth noting that you can use SWOT analysis to help you in your gap analysis.

The Bottom Line

A gap analysis is a tool you can use in your business to understand where you are and where you want to be. Its main purpose is to identify gaps between your current situation and your desired future. But it doesn't end there as it also provides you with solutions and action steps to bridge those gaps.

A gap analysis involves a five-step process that starts with defining your desired outcomes and assessing your current state followed by identifying gaps and figuring out solutions to fix those gaps.

This tool can be used in the different stages and areas of your business including strategic planning, process development, risk management, financial performance, human resources and more. It's worth noting that you can use other frameworks like SWOT analysis to assist you in the gap analysis.

Frequently Asked Questions About Gap Analysis Templates

What are some common scenarios for conducting a gap analysis?

Some common scenarios for conducting a gap analysis include improving efficiency at work, increasing sales and developing new products or services.

What are the different types/categories of gap analysis?

In addition to product and performance gap analysis, other types include market gap analysis, skills gap analysis, compliance gap analysis, financial gap analysis, technology gap analysis and environmental or social gap analysis.

What is the end goal of performing a gap analysis?

The end goal of a gap analysis, whether it's focused on product or performance, is to come up with solutions to bridge that gap between your ideal future and current state.

What visuals can help represent gap analysis data?

It's important to use visuals in your gap analysis. You can use fishbone diagrams like the Ishikawa diagram as well as charts like PESTEL and McKinsey 7-S frameworks.