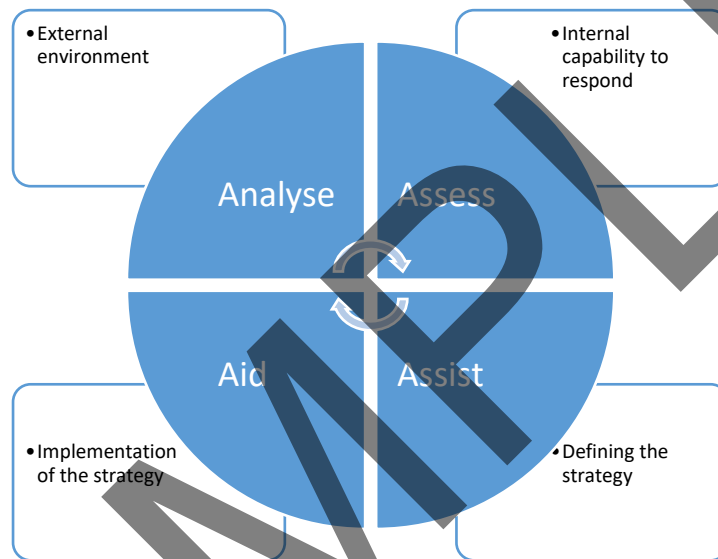


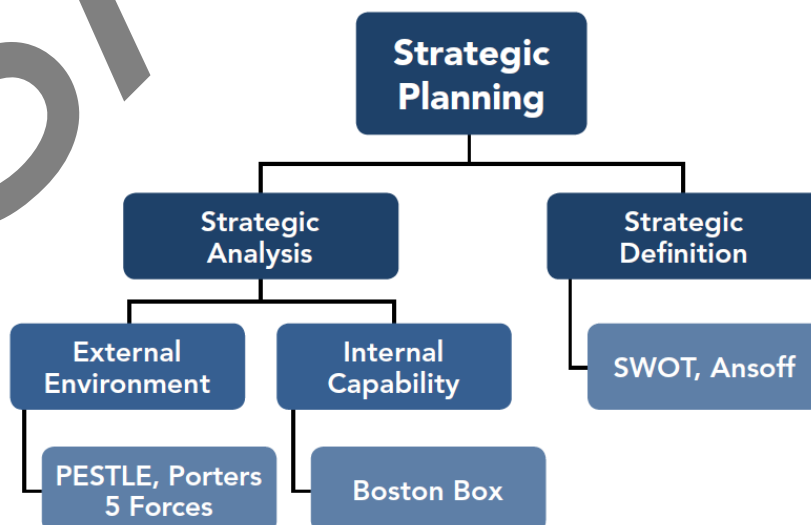
PESTLE Analysis

There are typical instances where you could be asked to provide information and data for your organisation's decision making, they could include:

- Analysing the organisations external environment
- Assessing the organisations internal capabilities and how well it can respond to external forces
- Assisting with the definition of the organisation's strategy
- Aiding the implementation of the organisation's strategy.



There are five widely used business analysis tools that fit into the strategic planning process, the diagram below:



The PESTLE Analysis is a useful method to use to identify the external factors that can influence an organisation. We will now look at the following areas:

How the PESTLE Analysis can be used in conjunction with other strategy tools?

How the six factors of a PESTLE are classified?

How to carry out a PESTLE Analysis?

How to evaluate the relevance of a PESTLE Analysis?

How to avoid pitfalls associated with using the strategy tool?

Environmental Analysis: PESTLE and Porter's Five Forces Model. Organisations need to identify external factors within their environment that could have an impact on their operations. Many of these will be factors that the organisation has no control over, but the implications of which need to be understood. The most used tool for identifying these factors is the PESTLE Analysis, which can be used to help you consider Political, Economic, Social, Technological, Legal and Environmental issues affecting the organisation.



The PESTLE Analysis provides you with a framework that enables you to investigate your external environment by asking questions for each factor and discussing the likely implications. These are the types of questions you would ask:

- What are the key political factors?
- What are the important economic factors?
- What cultural aspects are most important?
- What technological innovations are likely to occur?
- What current and impending legislation may affect the industry?
- What are the environmental considerations?

The PESTLE tool is a powerful technique for analysing your environment, but it should represent just one component of a comprehensive strategic analysis process. The PESTLE factors, combined with external micro-environmental factors and internal drivers, can be classified as opportunities and threats in a SWOT

Analysis. If the PESTLE analysis identifies factors that require internal changes to your organisation, then these will need to be investigated further using tools like the Boston Matrix.

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The process of identification should involve a variety of different methods across the whole organisation so that a full picture of external factors can be built up. These factors can be fully researched and analysed.

All organisations use this tool in their own way, categorising the issues raised is not important, the main aim is to identify as many factors as possible. For example, whether you classify an impending government legislation as Political or Legal issue is up to you. The key point is that it is identified as having an impact on the organisation.



Organisations will want to involve a manager in these sorts of discussions when:

Planning to launch a new product or service

Exploring new markets

Selling into a new country or region

It is also a useful technique to know if you are part of a strategic project team. In all of these instances, there is a need to assess the potential impact of external factors on your organisation, from both an operational and a market perspective.

The ranking of each of these factors within the six categories may vary because different organisations have different priorities. For example, organisations that sell to consumers tend to be more affected by social factors, whereas a global defence contractor would tend to be more affected by political factors. Additionally, factors that are more likely to change in the future or are more relevant to a given company will carry greater importance. A company that has borrowed heavily, for instance, would need to focus more on economic factors.

There are several common variations of the PESTLE Analysis, with some using more factors and some using fewer than six.

The most common variations are:

ETPS-Economic, Technical, Political, and Social

STEP-Strategic Trend Evaluation Process

STEPE-Social, Technological, Economic, Political, and Economical

STEEPLE-Social, Technological, Economical, Ethical, Political, Legal, and Environmental

PESTLIED-Political, Economic, Social, Technological, Legal, International, Environmental, and Demographic

STEEPLED-Social, Technological, Economic, Environmental, Political, Legal, Educational, and Demographic

PESTLE Factors

The purpose of the PESTLE Analysis is to identify issues that fit into two key areas:

- They are outside the control of your organisation
- They will have an impact on your organisation

Working together to identify the external issues is essential in all discussions, it is key to focus on identifying the issues rather than to solve them at this point. You must consider the implications of these factors as well as the likelihood of them occurring, but you should avoid falling into the trap of debating possible solutions or strategies.