

PESTLE analysis

Introduction

A PESTLE analysis is a framework to analyse the key factors (Political, Economic, Sociological, Technological, Legal and Environmental) influencing an organisation from the outside. It offers people professionals insight into the external factors impacting their organisation. The analysis is flexible, so organisations can use it in a range of different scenarios. People professionals and senior managers can use the results to guide strategic decision-making.

What is a PESTLE Analysis?

A PESTLE analysis is an audit of six external influences on an organisation:

Political: Tax policy; environmental regulations; trade restrictions and reform; tariffs; political stability

Economic: Economic growth/decline; interest, exchange, inflation and wage rates; minimum wage; working hours; unemployment (local and national); credit availability; cost of living

Sociological: Cultural norms and expectations; health consciousness; population growth rates; age distribution; career attitudes; health and safety

Technological: New technologies are continually emerging (for example, in the fields of robotics and artificial intelligence), and the rate of change itself is increasing. How will this affect the organisation's products or services?

Legal: Changes to legislation impacting employment, access to materials, quotas, resources, imports/exports, and taxation

Environmental: Global warming and the increased need to switch to sustainable resources; ethical sourcing (both locally and nationally, including supply chain intelligence).

By analysing those factors, organisations can gain insight into the external influences which may impact their strategy and business decisions. It allows HR and senior managers to assess any risks specific to their industry and organisation, and use that knowledge to inform their decisions.

The term PESTLE has been used regularly in the last decade or so and its true history is difficult to establish. Various other similar acronyms have been used, including ETPS, STEP, PEST, and STEEPLE (where the extra E stands for Ethical).

PESTLE is a popular topic in HR, learning and development, organisation development and marketing courses in the UK as it underlines the importance of considering the impact of external forces on a range of plans for change. It can also highlight the potential for additional costs, and prompt further research to be built into future plans.

Exercise: Answer the questions below on your business and the change you want to implement

Factors & Meaning	Examples	Questions to answer
<p>Political <i>Politically motivated factors that could affect the business</i></p>	<p>Government policy, political stability or instability Bureaucracy, corruption, trade policy, laws, competition regulation, funding grants and initiatives etc</p>	<p><i>What government policies or political groups could be beneficial or detrimental to our success?</i></p> <p><i>Is the political environment stable or likely to change?</i></p>
<p>Economic <i>Economic forces that could affect what you're trying to do</i></p>	<p>Economic trends, growth rates, industry growth, taxation, inflation, interest rates, labour costs, international trade, consumer disposable income, availability of credit, raw material costs etc</p>	<p><i>What economic factors will impact on us moving forward?</i></p> <p><i>Does the current economic performance affect us?</i></p> <p><i>How does each economic factor impact our pricing, revenues and costs?</i></p>
<p>Social <i>Social aspects, attitudes and trends that influence your business and target market</i></p>	<p><i>Attitudes and shared beliefs about a range of factors including health, work, leisure, money, customer service, imports, religion, cultural taboos, population growth and demographics, immigration, lifestyle trends etc</i></p>	<p><i>How do our consumer's values and beliefs impact on their buying habits?</i></p> <p><i>How does human behaviour or cultural trends play a role in our business?</i></p>
<p>Factors & Meaning</p>	<p>Examples</p>	<p>Questions to answer</p>

<p>Technological <i>Technology that can affect the way you make, distribute and communicate your products and services</i></p>	<p><i>Technology and communications infrastructure, consumer access to technology, emerging technologies, automation, legislation around technology, research and innovation, intellectual property regulation, competitor technology and development, technology incentives etc</i></p>	<p><i>What innovations and technological advancements are available or on the horizon?</i></p> <p><i>How might they affect our operations?</i></p>
<p>Legal <i>Current and future legal and regulatory requirements impacting on the business</i></p>	<p><i>Laws, regarding consumer protection , labour, health and safety, antitrust, intellectual property, data protection, tax and discrimination, international and domestic trade regulations/restrictions, advertising</i></p>	<p><i>What regulations and laws apply to our business?</i></p> <p><i>Do they help or hinder our business?</i></p> <p><i>Do we understand the laws across all our markets?</i></p>
<p>Environmental <i>Environmental forces impacting your business and/or customers geographical location, the surrounding environment and natural resources used by your organisation</i></p>	<p><i>Weather, climate change, your carbon footprint, environmental regulations, pollution laws and targets, recycling and waste management policies, endangered species, support for renewable energy etc</i></p>	<p><i>How does our physical environment affect us and vice versa?</i></p> <p><i>Are we prepared for future environmental targets?</i></p>