

# PESTLE ANALYSIS

---

PESTLE stands for:

Political  
Economic  
Social  
Technological  
Legal  
Environmental

PESTLE ANALYSIS is a tool that can aid organisations making STRATEGIES by helping them understand the EXTERNAL environment in which they operate now and will operate in the future.

---

## STRATEGY and STRATEGIC DECISIONS

For any organisation its strategy and strategic decisions are concerned with the:

- Matching of an organisation's activities to its environment.
- Values, expectations and goals of those influencing strategy.
- Scope of an organisation's activities – what it does or does not do.
- Matching of an organisation's activities to its resources.
- Allocation of major resources in an organisation.
- Direction an organisation will move in the long term.
- Implications for change across the whole organisation.

Strategy making, strategies and strategic decisions are usually COMPLEX.

---

PESTLE ANALYSIS allows one important aspect of strategic analysis - the EXTERNAL ENVIRONMENT - to be investigated systematically by use of a simple methodology.

PESTLE is not concerned with an organisation's INTERNAL environment or its STRENGTHS and WEAKNESSES. These important aspects of strategic analysis are best covered using different methods.

---

## PESTLE ANALYSIS

---

One variation of PESTLE ANALYSIS has three<sup>1</sup> main elements. The first two are often developed simultaneously with the third best done as part of a following review process:

1. EXTERNAL FACTORS - LIST
  2. IMPLICATIONS OF EXTERNAL FACTORS - IDENTIFY
  3. RELATIVE IMPORTANCE OF IMPLICATION OF EXTERNAL FACTORS - DECIDE
- 

### 1 LIST EXTERNAL FACTORS

**A DESCRIPTIVE LIST OF FACTORS, influences or pressures that have identified implications and impacts, now or in the future, for the organisation is compiled for each of the PESTLE components:**

<b>POLITICAL</b>	Global, national, regional, local and community trends, changes, events etc.
<b>ECONOMIC</b>	World, national and local trends, changes, events etc.
<b>SOCIAL</b>	Developments in society – culture, behaviour, expectations, composition etc.
<b>TECHNOLOGICAL</b>	Developments: computer hardware, software, applications, other equipment, materials, products and processes etc.
<b>LEGAL</b>	World / EU / National legislation changes, prospects etc.
<b>ENVIRONMENTAL</b>	Global / EU / national / local issues, pressures, movements etc.

---

<sup>1</sup> A fourth element is sometimes needed after the first three - SCENARIO BUILDING – the construction of ALTERNATIVE FUTURES. These need further analysis to develop different strategies for different, possible futures requiring different contingency plans. This stage is most likely to be needed when organisations are faced with greater degrees of uncertainty.

## 2 IDENTIFY IMPLICATIONS OF EXTERNAL FACTORS

---

The IMPLICATIONS of EACH FACTOR are identified and recorded for all or some of the components of an organisation, for example:

**IMPLICATIONS FOR**

Corporate entity:  
Mission  
core values and culture  
activities and programmes  
establishment  
availability of staff and skills

Partners / stakeholders

Clients

Public and specific communities

Associated organisations

Others as relevant

---

### 3 DECIDE RELATIVE IMPORTANCE OF IMPLICATIONS OF EXTERNAL FACTORS

---

Assessing the implications of factors for the organisation (above) in conjunction with their impact in TIME, by TYPE and by DYNAMICS helps to locate their importance on a relative scale.

#### IMPACT in TIME

Impacts affect an organisation at different times from now into the future:

Impact now and likely to reduce / stop inside 6-12 months	N
Impact now and in the future beyond 6-12 months	N / F
No impact now but at some time in future 6-12 months	F
Impact intermittent over time	I

---

#### IMPACT by TYPE

Impacts have different types of effect:

Positive impact	+
Negative impact	--

---

#### IMPACT by DYNAMICS

Impacts have different DYNAMICS:

Impacts of increasing significance	>
Impacts of unchanging significance	=
Impacts of reducing significance	<

---

### RELATIVE IMPORTANCE OF IMPLICATIONS OF EXTERNAL FACTORS

#### CRITICAL

Factors that threaten the continuing existence of the organisation or seriously compromise or require review of its mission or core values.

#### VERY IMPORTANT

Factors that are likely to promote significant changes in the scope of an organisation's activities, operational structure, external relationships and its establishment (staff, premises, legal status etc) without compromising its mission or core values.

#### IMPORTANT

Factors that are likely to promote limited changes in any or all of the scope of its activities, its operational structure, its external relationships and its establishment (staff, premises, legal status etc) without compromising its mission or core values.

#### SIGNIFICANT

Factors that bear on an organisation's operation without seriously affecting the scope of its activities, its operational structure, its external relationships and its establishment (staff, premises, legal status etc) without compromising its mission or core values.

#### UNIMPORTANT

Factors that do not affect an organisation in any significant manner.

---

EXTERNAL FACTORS	1. EXTERNAL FACTORS AFFECTING ORGANISATION	2. IMPLICATIONS OF FACTORS FOR ORGANISATION	3. RELATIVE IMPORTANCE OF IMPLICATIONS OF EXT. FACTORS			
			TIME	TYPE	DYNAMICS	RELATIVE IMPORTANCE
POLITICAL						
ECONOMIC						
SOCIAL						
TECHNOLOGICAL						
LEGAL						
ENVIRONMENTAL						

Table 1: PESTLE ANALYSIS – a model framework. To be read in conjunction with accompanying sheets.