

PESTLE ANALYSIS

HOW DO A ANALYSIS PESTLES

- Follow these steps:
- Identify the scope of the research. It should cover **present** and possible **future scenarios**, and apply to the industry and areas of the world in which the business operates.
- Decide how the information will be collected and by whom. Identify more than one person to gather data to bring **diverse evidence** and **perspectives**.
- Identify appropriate sources of information. You may find areas of PESTLE are a bigger focus to your industry than others but exploring information for all of them will give you a bigger view of the external environment.
- Gather the information – you can use the template below.
- Analyse the findings.

HOW DO A ANALYSIS PESTLES

- Mark each item in terms of importance in relation to potential risk to the organisation.
- Identify the business options to address the issues.
- Write a discussion document for all stakeholders.
- Disseminate and discuss the findings with stakeholders and decision makers.
- Decide what actions need to be taken, and trends to be monitored.
- To be effective, a PESTLE analysis needs to be done regularly. Doing so can help organisations to spot trends early, and provide a competitive advantage.

PESTLE ANALYSIS TIPS

- Some useful tips for carrying out a PESTLE analysis:
- Collaborate - multiple perspectives can identify more risk.
- Use expertise and resources within the organisation.
- Use PESTLE analysis alongside other techniques, such as SWOT analysis, Porter's Five Forces, competitor analysis, or scenario planning.
- Incorporate a PESTLE analysis into an ongoing process for monitoring changes in the business environment.
- Avoid collecting vast amounts of detailed information without analysing and understanding your findings appropriately.
- Don't jump to conclusions about the future based on the past or present.

WHAT IS A PESTLE ANALYSIS USED FOR

- By auditing the external environment, a PESTLE analysis can detect and understand broad, long-term trends. This can support a range of business planning situations, such as:

- **Strategic business planning**

- A PESTLE analysis provides contextual information about the business direction, its brand positioning, growth targets, and risks (such as another pandemic) to productivity. It can help determine the validity of existing products and services and define new product development.

- **Workforce planning**

- A PESTLE analysis can help to identify disruptive changes to business models that may profoundly affect the future employment landscape. It can identify skills gaps, new job roles, job reductions or displacements.

- **Marketing planning**

- A PESTLE analysis provides the 'climate' element in the situation analysis phase of the marketing planning process. It can help prioritise business activities to **accomplish specific marketing objectives** within a set **timeframe**.

- **Product development**

- By monitoring external activity, a PESTLE analysis can help inform whether to enter or leave a route to market, determine if a product or service still fulfils a need in the marketplace, or when to launch a new product.

- **Organisational change**
- A PESTLE analysis helps understand the context for change, and is most effective when used in association with a SWOT analysis to understand opportunities and threats around labour changes, such as skills shortages or current workforce capabilities.
- **People strategies, reports and projects**
- A PESTLE analysis can be used as a framework to look outside the organisation to hypothesise what may happen in future and what should be further explored. It can ensure that some basic factors are not overlooked or ignored when aligning people strategies to the broader organisation strategy.

ADVANTAGES:

- It's a simple framework.
- It facilitates an understanding of the wider business environment.
- It encourages the development of external and strategic thinking.
- It can enable an organisation to anticipate future business threats and take action to avoid or minimise their impact.
- It can enable an organisation to spot business opportunities and exploit them fully.

DISADVANTAGES:

- Some PESTLE analysis users oversimplify the amount of data used for decisions – it's easy to use insufficient data.
- The risk of capturing too much data may lead to 'paralysis by analysis'.
- The data used may be based on assumptions that later prove to be unfounded.
- The pace of change makes it increasingly difficult to anticipate developments that may affect an organisation in the future.
- To be effective, the process needs to be repeated on a regular basis.

TEMPLATE FOR PESTLE

- Blank PESTLE template PDF – available to download [click here](#).
- Completed PESTLE example PDF – available to download [click here](#)

USEFUL CONTACTS ANF FURTHER READING

- PEST analysis (Mindtools)
- Books and reports
- MORRISON, M. (2013) Strategic business diagnostic tools: theory and practice. CreateSpace Independent Publishing. (Chapter 3: PESTLE).
- TURNER, S. (2002) Tools for success: a manager's guide. London: McGraw Hill.
- Journal articles
- DOBBS, M.E. (2014) Guidelines for applying Porter's five forces framework: a set of industry analysis templates. Competitiveness Review. Vol 24, No 1, pp32-45.
- CIPD members can use our online journals to find articles from over 300 journal titles relevant to HR.
- Members and People Management subscribers can see articles on the People Management website.

THANK YOU

