

PESTEL Analysis

A PESTEL Analysis is a framework used to scan your organisation’s external macro-environment.

The word “PESTEL analysis” stands for “Political, Economic, Social, Technological, Environmental and Legal analysis”.

It is used as a part of business management tools to identify risks associated with external environments.

The aim of businesses is to create an ideal product/service using modern technology that fits government laws, profit people, and do not harm the environment using PESTEL analysis.

P POLITICAL	E ECONOMIC	S SOCIAL	T TECHNOLOGICAL	E ENVIRONMENTAL	L LEGAL
Government policy	Economic growth	Population growth rate	Technology incentives	Weather	Discrimination laws
Political stability	Exchange rates	Age distribution	Level of innovation	Climate	Antitrust laws
Corruption	Interest rates	Career attitudes	Automation	Environmental policies	Employment laws
Foreign trade policy	Inflation rates	Safety emphasis	R&D activity	Climate change	Consumer protection laws
Tax policy	Disposable income	Health consciousness	Technological change	Pressures from NGO's	Copyright and patent laws
Labour law	Unemployment rates	Lifestyle attitudes	Technological awareness		Health and safety laws
Trade restrictions		Cultural barriers			

Instructions on how to complete a PESTEL Analysis

- Ask key stakeholders in the organisation to participate in the PESTEL activity. It does not always need to be senior leadership, try and use a cross section of your employees.
- Brief them on what is required, give them time to reflect and then ask them to submit their thoughts and be prepared to talk through their points.
- Collate ideas for all parts of PESTEL under each heading. You may need to do more research into certain areas depending on your knowledge of emerging markets.
- Once you have completed the PESTEL Analysis matrix, then it’s time to begin to use the information gathered, understanding the potential threats to the business’ ongoing profitability and to assist in identifying future difficulties you may likely face so that action can be taken to help avoid and eliminate their effects.

- It is important for you to decide which trends should be monitored on a regular ongoing basis and how best to incorporate this information into your strategic planning. And who is going to be responsible for keeping the PESTEL Analysis up to date?
- The results of your PESTEL Analysis should feed into a SWOT Analysis as it helps to determine the threats and opportunities represented by macro-environment forces that the organisation usually cannot control.

From a workforce planning perspective think about the following

Political

- What is the culture of the organisation?
- What legislation changes are likely to impact on your sector/products/ services?
- What immigration legislation has/is changing due to Brexit?
- Are there any tax issues regarding key employees living/working outside the UK?

Economic

- How do your salaries compare with the marketplace?
- Is more money available?
- Are our customers likely to spend more or less money on the services we offer?
- What is happening to the financial status of the organisation?
- Interest rates
- Inflation
- Salary trends in the sector
- Cost of training and specialist skills
- Changing demands of employees to flexible reward and remuneration

Sociological

- Population shifts (age profile)
- Education
- Fads
- Diversity
- Immigration/emigration
- Health
- Living standards
- Housing trends
- Fashion & role models
- Age profile
- Midlife MOT outcomes, attitudes to training & careers

Technological

- What changes may be coming our way?
- What new technology/ systems,
- How do we engage employees in technological changes?
- How skilled is our workforce?
- Use of and encourage home working?
- Communications technologies
- Changes of technology that will increase/ reduce the need for recruitment
- Changes to HR software

Environmental

- Staff morale
- Staff engagement
- Need to reduce storage needs
- Management attitudes
- Organisational Culture

Legal

- What is happening in our sector that will impact what we do?
- Minimum wage
- Working time
- Food stuffs
- Under 18 working
- Occupational/ industrial Training etc.
- What changes will impact the services of the organisation?

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