



PESTEL Analysis

Introduction and instructions

The PESTEL framework is a strategic analysis tool used to examine the external conditions that surround an organization. It allows organizations to consider the 'big picture' in which they operate, thus enabling them to identify factors that could influence their strategy development and decision-making (Issa et al., 2010).

The main objective of a PESTEL analysis is to identify the current opportunities that the organization could exploit and the threats that it should avoid. In a PESTEL analysis, the external environment is divided into six main types of external conditions: Political, Economic, Social, Technological, Environmental and Legal. Once the geographical scope of the analysis has been defined, each of these six conditions can be examined individually to identify any indication of changes that could represent an opportunity or a threat to the organization and its activities. These changes in the external conditions may be already ongoing or expected to happen in the future (Gillespie, 2011).

It is recommended that the PESTEL is completed by a group of individuals from within the organization, ideally from different departments or holding different skills and knowledge. The group should consider each of the six PESTEL conditions in turn, noting down potential external issues under each – both positive and negative – that could affect the success of their projects. Once this has been done, the issues listed should be prioritized in order of how likely they are to occur and how large their impact would be. The final result will be a list of key external influences that could affect the organization - whether external opportunities or threats.

The PESTEL analysis does not require proposing solutions or possible responses to the identified changes in external conditions. Also, deciding whether an issue falls into one box or another is not crucial, as long it is listed somewhere in the sheet (Cadle et al, 2010).





	Description	Examples	Issues identified by the group (bullet points or flowing text)
P	Political conditions refer to all existing or potential government policies and strategies (local, regional, national or supra-national level) that could impact your organization.	<ul style="list-style-type: none"> • Current government climate change and adaptation policy • Infrastructure, procurement, environmental policy • Government support or subsidies likely • What are political priorities, both of the current government and the broader public 	
E	Economic conditions include any issues related to the economy (local, national, and global) in your organization's home or target markets that could affect your organization and its success.	<ul style="list-style-type: none"> • Interest rates and predicted trends • Economic growth • Inflation and currency exchange rate trends • Access to funding and loans • Government and consumer spending 	





S	Social conditions are those that arise from the side of consumers and can influence the demand for your organization's products and services.	<ul style="list-style-type: none"> • Demographic changes, such as aging population or increase in education levels • Change in preferences, such as growing interest in environmental issues • Change in attitudes, values, or ethics, e.g. re. privacy, communal action, or environmental protection 	
T	Technological conditions cover all technological developments that could affect your organization, including both industry/market-specific developments and general trends.	<ul style="list-style-type: none"> • Technological developments in your industry • Do competitors have more technologically-advanced offerings • Important and relevant general trends (e.g. increased smartphone penetration, IT connectivity, online sales) 	





E	Environmental conditions include all ecological or environmental issues that could affect your business.	<ul style="list-style-type: none"> • Climate change impacts in your target markets • Likelihood of extreme weather events such as drought, flooding, heat wave etc. impacting you/your customers • Ongoing availability of important environmental input e.g. clean water 	
L	Legal conditions include all potential changes to the legal environment in which your organization operates.	<ul style="list-style-type: none"> • Consumer laws • Competition law • Employment law • Health and safety legislation • National level and international (European) level 	





References:

Cadle, James, Debra Paul, and Paul Turner (2010) Business Analysis Techniques. British Informatics Society Limited (BISL), Swindon.

Issa, Tomayess, Vanessa Chang, and Theodora Issa (2010) Sustainable Business Strategies and PESTEL Framework. GSTF International Journal on Computing, 1(1).

Gillespie, Andrew (2011) Foundations of Economics, Additional Chapter on Business Strategy. Oxford University Press, Oxford. Available at

http://global.oup.com/uk/orc/busecon/economics/gillespie_econ3e/student/chapter/

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