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How to Undertake a Pestle Analysis

The pestle analysis is tool used to help identify opportunities and threats in the broader business environment and in turn, develop suitable responses.

Regardless of size, all businesses are impacted by the environment they operate in.

The business environment is highly complex, constantly changing and varies significantly from one country and region to another. The long-term success of any business rests upon its understanding of the dynamics of this environment and its ability to adapt.

The pestle analysis assists with understanding and monitoring this environment. Pestle is an acronym for 'Political, Economic, Socio-Cultural, Technological, Legal and.

In addition to helping you formulate your business strategy, conducting a pestle analysis can help you break free of outdated assumptions and allow you to implement new processes and practices.



It involves researching and analysing key factors of the pestle analysis.

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The key elements of a pestle analysis

Political

Political factors are those that relate to the regulatory framework and the state of the political environment in the country or region where your business operates. This includes factors such as political stability and government policy.

The greater the rate of change and the more diverse the political environment, the more important these factors become to the pestle analysis and the business's success.



Economic

Economic factors are those that relate to the state of the economy and its impact on the business, including:

- Interest rates
- Inflation
- Exchange rates
- Economic growth
- Disposable income
- Discretionary income
- Unemployment levels
- The status of the business cycle
- Credit availability
- Supply and demand



While many economic factors operate on a global scale, others may be region specific. In either case, they can have a profound effect on your pestle analysis and business.

Socio-Cultural

Socio-cultural factors are those that relate to and shape people's attitudes, behaviours, expectations and actions, including:

- Fashions, fads, trends and norms
- Lifestyle attitudes
- Social structures
- Education levels
- Religious beliefs



These can vary enormously from one country and region to another, may change significantly overtime and must form part of your pestle analysis and be well understood.

Technology

Technology factors are those that are driven by innovation and change (positively and negatively) the way we do business, or the way people live their lives.

An assessment of technology trends and their potential impacts, needs to consider:

- Technology availability for both consumers and businesses
- The rate of technology advancement
- The rate of technology obsolesces
- New technology platforms and other innovative discoveries



Technologies have the power to create and destroy entire industries and cannot be ignored, they are a key part of the pestle analysis.

Legal

Legal factors are those that relate to the regulatory framework in the country or region where your business operates. This includes factors such as:

- Commercial laws
- Employment laws
- Taxation laws
- Property rights
- Environmental regulation, etc



While these factors are often complex, understanding them is essential.

Environmental

Environmental factors are those which affect the surrounding environment and include:

- Climate
- Weather
- Geographical location
- Sustainability, social corporate responsibility, etc



While these factors impact some businesses more than others, they are becoming increasingly important to all concerned.

How to use the pestle analysis

To use the pestle analysis, under each heading you analyse the business environment and then brainstorm the opportunities and threats it presents. This can be done by examining a number of key questions under each heading. For example, for political factors, you might consider:

- When is the next local, state, or national election? How could this change Government or regional policy?
- Who are the most likely contenders for power? What are their views on policies that affect your business and your customers?
- How does the Government approach business policy, corporate social responsibility, environmental issues, consumer protection legislation, etc? What impact will this have on your business and will it change?
- What other political factors are likely to change?

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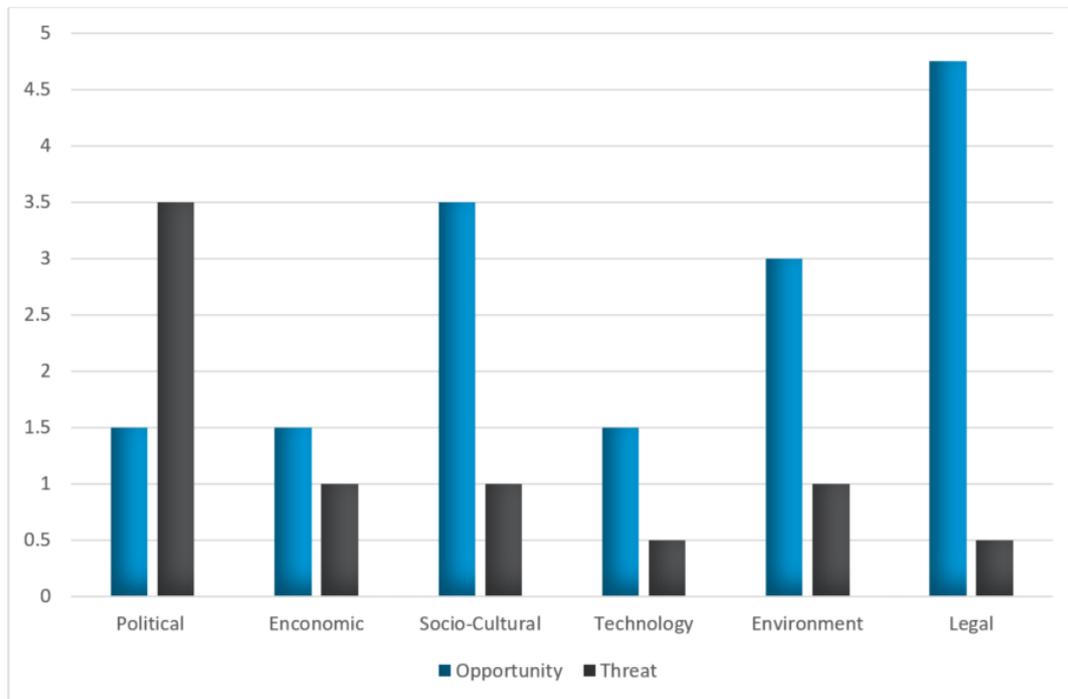
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Putting the pestle analysis into action

The purpose of the pestle analysis is to help you identify opportunities and threats so that you can capture or manage them. While you may not be able to influence your business environment (although some businesses can), you do need to understand it, be aware of possible changes and know how best to respond.



Once you have examined each factor, you can then summarise them and factor them into your strategy development and implementation processes (this may include a visual aid such as the graph shown above).

If you would like to learn more about how to use the pestle analysis to capture opportunities and counter threats, give the team at **Fortitude Business Consulting** a call on **1300 551 040**.

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