

Tool 8: PESTL analysis tool

Phase	Phase 1: Getting organized and situation analysis
Sub-phase	Sub-phase 1.5: Situation analysis
Name of tool	PESTLE or PESTEL Analysis (Political, Economic, Social, Technological, Legal and Environmental Analysis)
Objective	PESTLE analysis helps to identify and assess the external factors that may have an impact on an organization, a plan, or a situation
When to use the tool	<p>Use the PESTLE Analysis:</p> <ul style="list-style-type: none"> ✓ When you are beginning to launch a new strategic plan or are entering a new area, where the local environment is not fully clear. ✓ When you need to anticipate and “map” the principle external factors that could affect your plans.
Main actor(s) responsible	All levels of government; civil society; and business organizations
Target / beneficiary	The organization carrying out the analysis itself
Description of tool	<p>There are five main steps in the PESTLE analysis:</p> <ol style="list-style-type: none"> 1. <u>Brainstorm</u> and list key issues that are outside of the organization’s control. 2. Identify the <u>implications</u> of each of these key issues. 3. <u>Rate</u> the relative importance of each of the key issues to the organization, using a <u>scale</u>. For example, the scale might include the following levels: critical; extensive; important; significant; moderate; and minor significance. 4. Rate the likelihood of the impacts actually <u>occurring</u>, using a scale. This scale may include the following categories: certain; very likely; likely; possible; unlikely; extremely unlikely to occur. 5. List the <u>implications</u> if the issues identified in step 1 do indeed occur (first four categories in the scale in step 4). <p>Issues to consider as part of the six PESTLE factors include, but are not limited to, the following:</p> <p><u>Political</u> issues include changes in government policy; changes in personalities within government (at all levels); other factors affecting legislation or new legislation; bureaucracy; and corruption.</p> <p><u>Economic</u> factors comprize the overall macro-economic (in)stability and trends; macro-economic factors such as employment; inflation; and interest rates; energy sources; the quality of infrastructure; the price of goods and commodities; taxes, levies and duties; exchange rates; cost of living; ease of doing business; and availability of credit.</p> <p><u>Social</u> factors include cultural and social conventions, traditions and beliefs, as well as social (in)stability and trends; patterns of</p>

	<p>(in)equality; and education levels.</p> <p><u>Technological</u> issues comprize the pace of change in technology; new technologies and innovations; manufacturing and data infrastructure including network coverage; and user/consumer patterns and behaviours.</p> <p><u>Legal</u> factors to consider include existing and new legislation; regulations and regulatory bodies; the performance of courts; and the overall legislative climate.</p> <p><u>Environmental</u> factors include the topography; geographical location; weather and climate; quality of environmental resources; natural disasters; extent of susceptibility to disasters; and resilience.</p> <p>In addition to these general factors outlined above, every individual country, city or environment has its own specific PESTLE issues that need to be considered as part of the analysis.</p>
<p>Advantages and disadvantages of this tool</p>	<p>Advantages (+)</p> <ul style="list-style-type: none"> + Simple, easy to use and comprehend framework for analysis of complex realities. + Encourages strategic thinking within the organisation, as a basis for strategic planning. <p>Disadvantages (—)</p> <ul style="list-style-type: none"> — Can lead to over-simplification of complex realities, if the analysis is not done well or good data is not available. — Needs to be updated regularly in order for the analysis to remain relevant as a basis for strategic planning.
<p>Related tools</p>	<p>There are several different forms of PESTLE analysis that may include fewer or more than the 6 factors described here. Additional variations include, for example:</p> <p>STEP: Strategic Trend Evaluation Process</p> <p>STEEPLE: Social, Technological, Economic, Ethical, Political, Legal and Environmental analysis.</p> <p>STEEPLED: Social, Technological, Economic, Ethical, Political, Legal, Environmental and Demographic analysis.</p> <p>These other variations all use the same underlying method as PESTLE.</p>
<p>References and further resources</p>	<p><u>Generally accessible documents:</u></p> <p>Free Management E-Books (FME) (2013) The PESTLE analysis : strategy skills, [Summary of Newton, P. and Bristol, H. PESTLE analysis, s.l., Free Management E-Books (FME)].</p> <p>Mullerbeck, E. (2015) SWOT and PESTEL, In: Arivananthan, M. 2015. Knowledge exchange toolbox : groups methods for sharing, discovery and co-creation, New York, UNICEF, pp. 136-147.</p>