



What Is PESTLE and Why Is It Important?

INTRODUCTION

A PESTLE analysis is a framework to analyse a set of key factors (Political, Economic, Sociological, Technological, Legal and Environmental) that influence a business from the outside.

It is essential that a business carries out a PESTLE on a regular basis to ensure the financial health and growth of that business.

This is how to carry out a PESTLE exercise.

THE PROCESS

1. Draw a two-column grid on a large piece of paper, or use sticky notes on a wall
2. With a group of people, use sticky notes to brainstorm a list of the positive, negative factors – within the context of political, economic, social, technological, environmental and legal – that are impacting (or having a potential impact) on the business
3. Once you have completed the brainstorming exercise, your PESTLE analysis can be used as part of your business growth planning process

POLITICAL

For example

A change of local administration might remove local political support for my social enterprise

A new administration might support my social enterprise more than the current one does

ECONOMIC

For example

In a time of economic uncertainty, such as a global recession, statutory bodies are under pressure to decrease their spending

If you can demonstrate you are more cost-effective or offer greater value over the lifetime of a contract you have a competitive advantage over your competitors



SOCIAL	For example An aging population is an opportunity for provision of social care e.g., social and binge drinking are having a significant impact on the health service
TECHNOLOGICAL	For example Pervasive and mobile computing could be an enabling technology for personal security, or youth mentoring
LEGAL	For example A change in legislation may pose certain risks to my social enterprise so it is best to ensure we are up-to-date and compliant with these changes early on
ENVIRONMENTAL	For example New environmental regulation on waste management could create new markets for my social enterprise

Most users of PESTLE use it to identify areas to explore in their business plan, such as risk and marketing.

You can extend its use further by using it to identify areas for growth and development. For example, there could be an upcoming election. A change of administration may mean a different approach to businesses in your sector or an increase / decrease in business costs or charges.

By understanding the potential impact of the aspect of the PESTLE exercise mans you will have a more agile business capable of assessing, and managing, risk.