

PESTLE analysis

A quick-reference guide



What is PESTLE?

PESTLE is a strategic analysis technique for identifying the external factors that could affect an organisation as it shapes and pursues its vision and goals.

It applies six different categories to prompt thoughts on the changing external landscape.

Factors identified can be examined further to consider risk appetite, seek opportunities, and develop strategic responses.





Why use PESTLE?

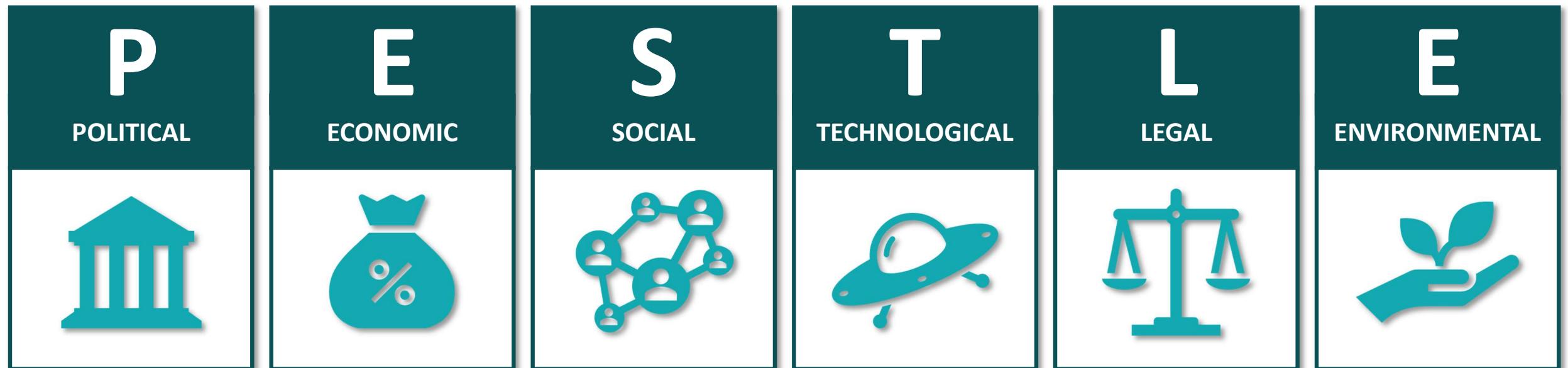
The PESTLE technique has some great advantages:

- Provides a **great starting point** for deeper discussions.
- **Easy to use**, requiring no special preparation or tools, and doesn't use any complex rules or jargon.
- Considers the **external landscape** from a range of perspectives.
- **Challenges assumptions** about what is stable and what could change over time.
- Can be used at a **range of levels**, from organisation-wide down to individual projects or products.



Exploring the six factors

PESTLE works best in a workshop setting, examining each of the factors to brainstorm ideas and challenge assumptions about what could help or hinder the organisation in achieving its vision and goals.



The following pages describe each category with some example topics to consider.



Political factors

Political factors are those stemming from global, national, and local power and discourse:

- Who has political power, and is that likely to change?
- What are politicians saying they want to achieve? In whose interests are they acting?
- What choices are people with power likely to make?
- What conflicts might arise?





Economic factors

A wider range of economic factors can affect an organisation's ability to achieve its goals:

- What goods and materials are getting cheaper or more expensive?
- How might competitors fare?
- Will people have more or less money to spend?
- How easy will it be to borrow money or obtain investment?
- What will the local economy look like?

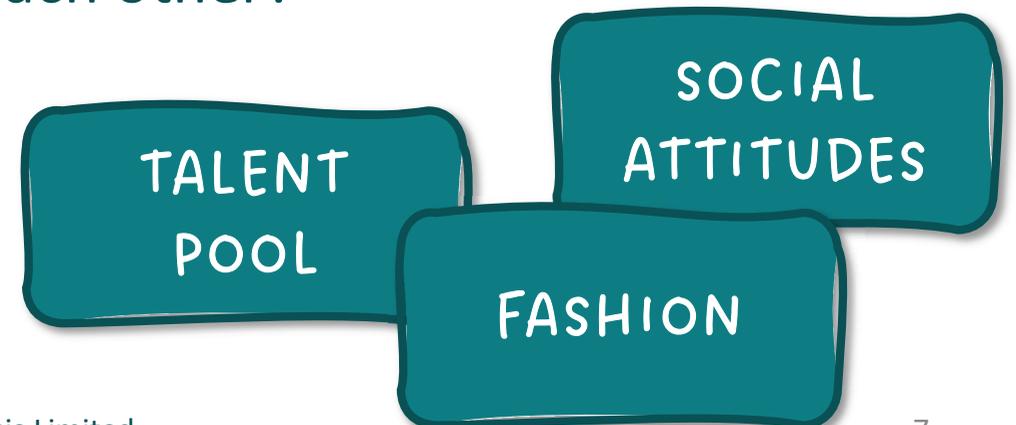




Social factors

Social factors are those that stem from the attitudes and behaviours of society, either as a whole or in groups.

- What will be considered “acceptable” and what won’t be tolerated?
- What’s popular or fashionable? What’s emerging? Who has influence?
- How will people interact with organisations or each other?
- How are groups of people likely to behave?
- What will people want?
- Will their needs change?

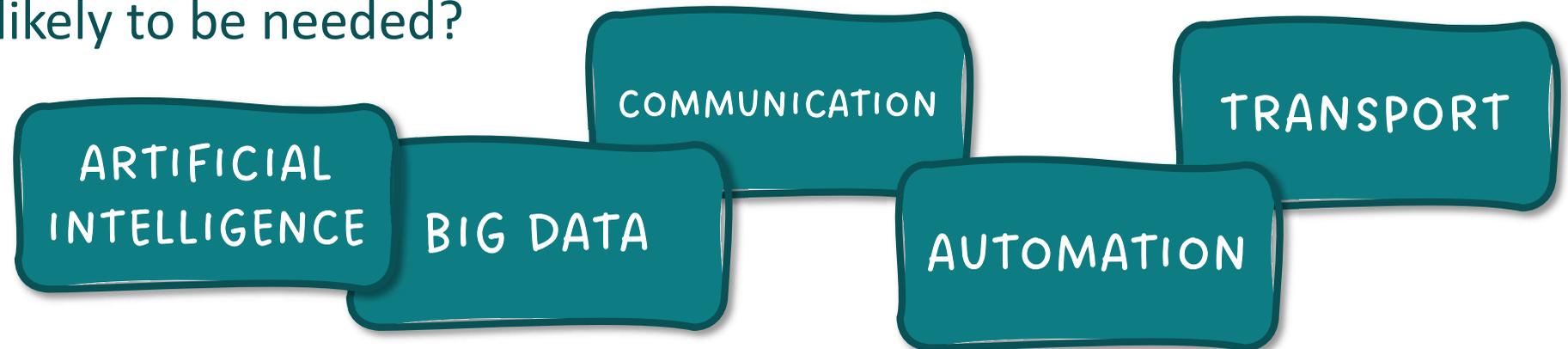




Technological factors

Technology is changing all the time, and spotting emerging capabilities can be crucial to avoid being left behind!

- What technology is emerging?
- What might become obsolete?
- Who is developing new technology, and how do new technologies become available?
- What skills are likely to be needed?

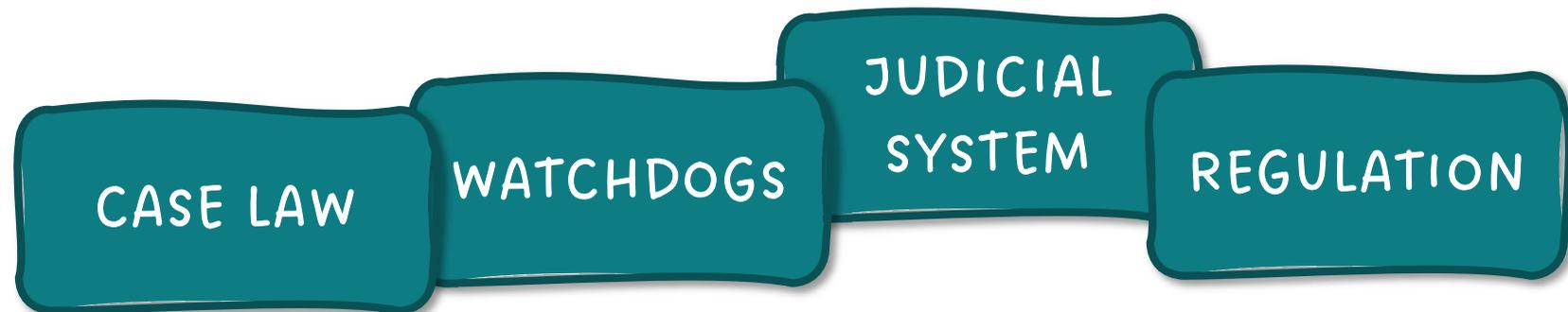




Legal factors

Laws, rules, and regulations stem from social and political factors, and can constrain what organisations are able to do – or create opportunities!

- Who will be making the rules? Who is seeking change?
- Where have current rules been found to be insufficient, and who might benefit from changing regulation?
- What are the implications of non-compliance?



Environmental factors

The global environment is changing rapidly, and monitoring potential risk factors is essential.

- What might make what we do unsustainable?
- Who or what is causing environmental changes? How are they influenced?
- What changes might affect the place we are in now?
- How will environmental factors affect our customers, suppliers, competitors, employees, and future talent?



Hints and tips

Here's a few pointers to help you build accurate, accessible, and valuable models!



Don't get too hung up on applying the correct categories or using a narrow interpretation of category names. Focus on generating ideas for deeper discussion.

Start by getting as many ideas as possible before down-selecting to the most relevant. In Design Thinking terms, begin with "divergent" thinking.

You can use the outputs of PESTLE analysis with other techniques – external factors can be used as Opportunities and Threats in SWOT analysis, or you can use a heat map to identify priorities by impact/likelihood.

Use examples from elsewhere to get conversations going, such as past political themes that emerged to have a huge impact. This helps your stakeholders to come up with ideas of their own.

PESTLE works brilliantly in conjunction with Visual Thinking methods. Get creative, use imagery, and get people off their seats!

You can use PESTLE in lots of situations. You could consider the wider organisation as "external" in considering factors that might impact on a specific project or change initiative.