

Analyse pestel for monitoring your business or organization

[Business](#)



PESTEL analysis is a more elaborate version of the PEST analysis that includes two additional environmental factors. If you want a comprehensive understanding of the macro environment in which your business is currently operating, this is the best monitoring tool you can use to get a complete picture. However, before you start using this tool, it is important to understand what each factor included in this analysis means. So, you need to analyse PESTEL itself before you can start using it.

How to Analyse PESTEL

PESTEL analysis takes into account the following factors:

Political Factors

This takes into account the level of government intervention in the economy. Political factors are important as businesses need political stability to operate or they will fail to achieve the desired level of profitability. Apart from the stability, the political factors also taken into account include government policies, tax laws, labour regulations and trade policies.

Economic Factors

Economical factors facing businesses have a direct impact on their profitability and therefore, are important when you analyse PESTEL. These factors include inflation rate, exchange rate, interest rate and disposable income available to end consumers. The economic factors can be further categorized into micro-economic and macro-economic factors. The micro-economic factors are related to how the consumers in the society spend their

disposable income while the macro-economic factors are more concerned with the overall demand-and-supply conditions in the economy.

Social Factors

The social environment in which a business operates also has a profound impact on its operation. The social factors include the cultural influences and beliefs of the target audience. For example, a product or an advertisement may be deemed offensive in a particular culture while it would be perfectly normal in another culture. This will also include age demographics, education, likes, interests and opinions of the society.

Technological Factors

Technological factors are one of the most important PESTEL factors. Today, companies allocate considerable resources towards Research and Development to stay ahead in the game and not lose ground to their competitors. Technological factors are not only of significance in the production of goods and services but also in their distribution. These factors help businesses explore new ways of communicating, engaging and interacting with their target audience.

Environmental Factors

Environmental factors are essential to analyse PESTEL and may be deemed a relatively new addition to the macro-economic analytical tools. However, they have gained significance owing to the rising concern regarding the environment among the masses. Consumers today prefer to buy products

from businesses whose products and services are environment-friendly and who are socially responsible.

Legal Factors

Legal factors are also deemed an important part of the whole macro-economic scenario and focus on issues like product safety, consumer rights and laws, equal opportunities, and health and safety. For companies to operate successfully, they should not only know but also abide by the rules and regulations of the country they are operating in.

These factors should be understood by every organisation in order to analyse PESTEL. This analytical tool can help the business plan and achieve its strategic objectives in a more informed and realistic manner.

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