

# A firms external environment and uncertainties: the pestel framework

[Business](#)



The PESTEL analysis is crucial in developing business strategies for an organisation. It affects decisions made by managers in the macro-environment influenced by many factors like new laws, tax changes, government policies or demographic changes. An organisation like Famidan will have to get insights from scenario planning that will identify factors influencing the market in dispersion of its product and strategic thinking to branding and building the relationship.

Generally there are environmental uncertainties that surround a business and its launch in various fields. Some of the common scenario exercises include identifying the key driving forces and performing a cross-impact analysis. PESTEL will be used as a strategic tool for planning the landscape of the Famidan market. This will help the company appreciate the influence of outside forces (Grant, 2002). Brainstorming will be effective in generating new ideas given a short time frame and effective in the evaluation of existing ideas by the group processes.

PESTEL political factors include government policies formulated that influence the type of goods or services it will allow from the company and the degree of intervention in economic sense. These political decisions will influence the company in many vital areas and impact on factors such as organisational learning, educating the workforce and health which further influences the quality of infrastructure of the economy.

Economic factors rotate around interest rates, economic growth, exchange

rates and inflation which will impact the firm's behaviour. The growth of a national income may boost a firm's product demand (Finlay, 2000).

Therefore the company has to draw its strategies to scour the external environment. Factors revolving around economy in foreign exchange and swapping should be observed keenly to take advantage of or be cautious when dealing with the economic markets.

Social factors will relate to social trends and changes which can impact the demand of the firm's product and employees' willingness and availability to work in the organisation. A motivated workforce will boost the demand and supply of products and services of a company. Young and older employees have different impacts on demand thus they should be used effectively to evaluate and select strategies that will cater for different preferences of clients in different age groups and various working classes.

Technological factors relate new products to new processes with the fast and changing technology globally. The organisation has to re-evaluate its designs, production and marketing strategies that will enable it to have an edge. Technological advances create new market opportunities in the current and new regions where the company operates. Companies can reduce costs leading to innovation and the improvement of the quality of products and services (Fleisher, 2003).

Industries like farming and tourism are affected by environmental factors in weather and climate change. Greater environmental awareness is an

external factor that is a significant issue to firms concerned with travel and transportation. Environmental uncertainties in these fields should be integrated by managers in planning and strategising. Environmental friendly processes and products are affecting demand patterns in different demographics and business opportunities.

Legal factors influence the firm's operations in the legal environment and its behaviour in the market. Legal systems can affect for example minimum wage and other requirements that affect the organisation's actions. When new systems and procedures are developed they affect the probability of consumers to buy products or use services. Some of these laws include; consumer laws and health and safety legislations that ensure working places are safe and reasonably practical.

The PESTEL framework can analyse a firm's external environment and uncertainties. Managers have to think of those key factors in PESTEL that greatly impact on their organisations (Tilson, 2005). Integration of qualitative and quantitative inputs in the firm can incorporate results of integrated future-oriented data. The PESTEL standpoints will help the company address issues such as the brand in relation to the market, an investment opportunity or a strategic option.

Reference:

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